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State enterprises hand govt Tk 16,746cr of their surplus funds

Rejaul Karim Byron and Md Fazlur Rahman

State-owned enterprises have deposited Tk 16,746 crore to the national exchequer since laws were passed in the beginning of the year to make it mandatory for them to hand over the idle and surplus funds to the government.

The parliament passed the Deposit of Surplus Funds of Autonomous, Semi-Autonomous, State-Owned, and Public Non-Financial Corporations into the Government Treasury Act 2020 in January.

Since then, 13 SoEs have deposited funds to the national treasury, according to the finance ministry. Nine SoEs deposited a total Tk 16,046 crore in the last fiscal year.

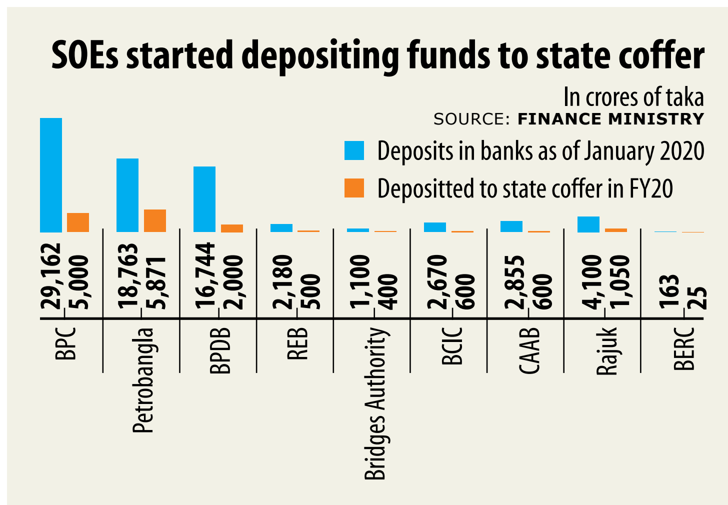
Of them, Bangladesh Petroleum Corporation deposited Tk 5,000 crore against its bank deposits of Tk 29,162 crore as of January.

Petrobangla paid Tk 5,871 crore against Tk 18,763 crore parked with banks, Bangladesh Power Development Board Tk 2,000 crore against Tk 16,744 crore and Bangladesh Rural Electrification Board Tk 500 crore against Tk 2,180 crore.

Bangladesh Bridges Authority had a deposit of Tk 1,100 crore with banks as of January and it handed over Tk 400 crore to the government.

Bangladesh Chemical Industries Corporation (BCIC) and the Civil Aviation Authority of Bangladesh handed over Tk 600 crore each, out of their bank deposits of Tk 2,670 crore and Tk 2,855 crore respectively.

Rajdhani Unnayan Kartripakkha (Rajuk) had a deposit of Tk 4,100 crore with banks in January and it handed over Tk 1,050 crore to the government.



In Bangladesh, there are 68 state-owned autonomous organisations, which hold Tk 212,100 crore in combined deposits in banks. The corporations have kept the money as deposit or investment.

According to the new law, the surplus funds have to be deposited to the state coffer after keeping aside the operational cost, additional 25 per cent of the operational cost as emergency funds, money for general provident fund and pension.

The respective organisation would estimate its operational cost. The agencies will have to deposit the funds within three months after a fiscal year comes to an end.

If an organisation does not provide correct information about the funds, legal actions will be taken against it, according to the law.

Four more SoEs started depositing funds to the national coffer from the new fiscal year.

Of them, the Mongla Port Authority deposited Tk 100 crore as of August and the Chattogram Port Authority (CPA) Tk 500 crore. The Export Promotion Bureau (EPB) deposited Tk 100 crore as of September.

The Mongla Port Authority, the CPA and the EPB would have to deposit another Tk 100 crore, Tk 2,500 crore and Tk 200 crore respectively in FY21.

The National University is due to deposit Tk 1,000 crore in the current fiscal year.

The availability of funds from the SoEs would provide some breathing space to the government at a time when it is facing fund shortage because of the squeezing revenue collection caused by the coronavirus pandemic and rising expenditure to protect the economy and save lives.

Overall, revenue collection dipped 20.5 per cent to Tk 200,248 crore last fiscal year, largely due to the two-and-half-month-long countrywide general shutdown put in place to stop the spread of the virus.

This is first-ever negative growth in Bangladesh's history.

The government has given the National Board of Revenue the target to generate Tk 330,000 crore this fiscal year.

The government has unveiled several stimulus packages amounting to a total of Tk 103,117 crore to pull the economy out of the pandemic-induced wreckage.

The government hopes to receive Tk 20,000 crore from SoEs in the current fiscal year, said an official of the finance ministry.

BoP returns to black

Thanks to falling imports, rising remittance

Rejaul Karim Byron

Bangladesh's balance of payments (BoP) returned to the black in July on the back of a sharp decline in imports and a rise in remittance and exports.

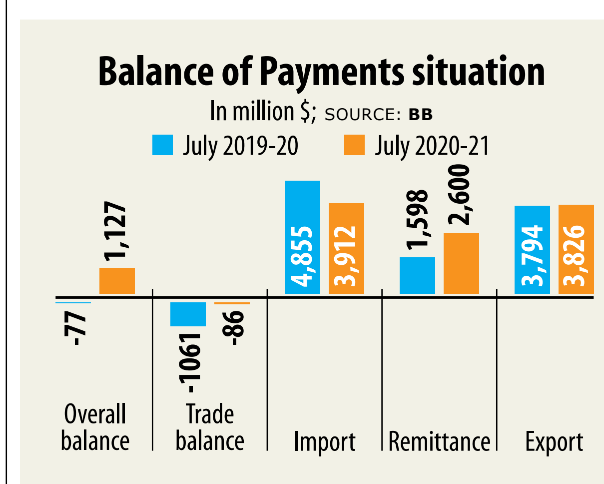
The BoP, which states all transactions made between one country and the rest of the world, stood at a deficit of $77 million in July last year.

But it climbed to a surplus of $1.127 billion in the first month of the current fiscal year, data from the central bank showed.

Similarly, the current account balance was $108 million in the negative in July last year, but it jumped to $1.965 billion in the positive in the same month this year.

The current account includes a country's net trade in goods and services, its net earnings on cross-border investments, and its net transfer payments.

In July, import fell by 19.42 per cent year-on-year to $3.912 billion as the domestic economic activities are yet to pick up because of the coronavirus pandemic.



Remittance inflow was up 62.7 per cent year-on-year to $2.6 billion. Export rose 0.84 per cent to $3.826 billion.

This narrowed trade deficit sharply: it was $1.061 billion in July last year but it came down to $86 million in July this year.

Foreign direct investment declined 28.87 per cent to $170 million.

"There has been a major change in the balance of payment in July, signalling both strengths and weaknesses in the economy," said Zahid Hussain, a former lead economist at the World Bank's Dhaka office.

He said the current account registered a surplus of nearly $2 billion. This was due to the sharp decline in the trade deficit and a significant spike in remittances.

As a result, the overall balance had a surplus exceeding $1.1 billion despite a deficit in the financial account. This contributed to an increase in official foreign exchange reserves as Bangladesh Bank purchased dollars to prevent exchange rate appreciation.

"Thus, the comfort on the financial side has increased," Hussain said.

The concern is about the strength of recovery on the real side of the economy: the balance of savings and investments.

A current account surplus implies an excess of savings over investments. Such excess can arise if domestic demand is weak.

Private consumption and investments together account for more than 90 per cent of domestic demand in Bangladesh.

READ MORE ON B3

Pandemic may cast a pall on FDI

Jagaran Chakma

The rising trend in foreign direct investment (FDI) for Bangladesh may slow down this year due to the economic fallout of the coronavirus outbreak, experts believe.

"The ongoing Covid-19 pandemic will definitely hamper the inflow of FDIs for the country," said Sirazul Islam, executive chairman of Bangladesh Investment Development Authority (BIDA).

The total value of FDIs made across the globe will witness a 20 per cent fall by the end of 2020 because of the emergence of the deadly contagion, according to a projection of the United Nations Conference on Trade and Development.

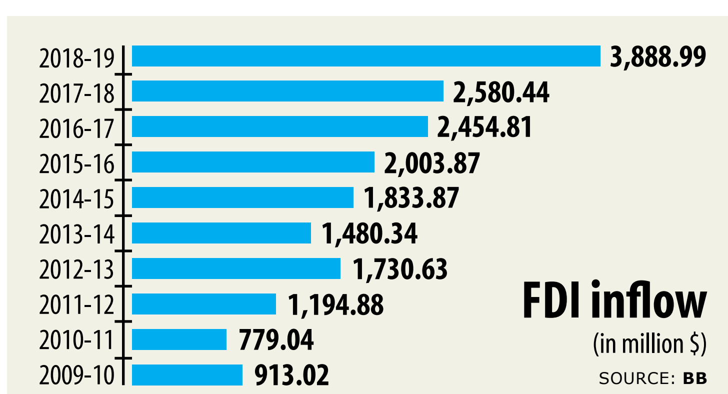
Policy discussions on long-term solutions to attract more foreign investment are needed to take place, Islam said.

BIDA has already taken some initiatives in this regard and recommended a number of amendments to some regulations that are directly related to FDI, he added.

The prime minister already sat with a few senior secretaries from the General Economic Division, Finance Division and the National Board of Revenue to find a solution to the matter, Islam added.

The Covid-19 outbreak will slow the rate of investment in general, but it will be particularly detrimental to FDIs as foreign investors are worried about the health risks, said Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue.

Investors who were previously keen to invest in Bangladesh may reconsider their plans due to the recent economic uncertainty brought on by the pandemic as well, he said.



"Investors definitely avoid taking risks and so, the whole world will suffer because of this."

There is no way to recover the amount of FDIs lost during this period either, he said.

Similarly, Ahsan H Mansur, executive director of the Policy Research Institute, said there would be a shortage of FDIs this year due to the global economic impact of Covid-19.

"We have to accept this reality as protecting human life is the top priority at this moment," Mansur said.

The executive director also said a lack of proper infrastructure is a major barrier for attracting more FDIs to the country.

There are several mega infrastructure projects in various stages of implementation across the country but even those are now enduring slow progress due to the pandemic.

Foreign investment in Bangladesh fell over 40 per cent year-on-year to around $2.15 billion in the January-September period in 2019, according to Bangladesh Bank data.

Of the $2.15 billion, $602.79 million went to equity, $999.78 was for reinvested earnings and the remaining $551.29 million was in intra company loans.

However, it is worth mentioning that FDIs worth $2.58 billion came to Bangladesh in fiscal year 2017-18, which jumped to $3.88 billion in the next fiscal year, registering a 50.71 per cent increase, according to Bangladesh Bank data.

Since achieving independence, Bangladesh has received a total of $17.31 billion in FDIs, the central bank data shows.

BB clears confusion over remittance incentives

Star Business Report

Bangladeshi nationals working at foreign offices related to the country's shipping and airline sectors, including local mariners and aircraft pilots, will enjoy a 2 per cent cash incentive for remittances sent home on and after July 1, 2019, according to a Bangladesh Bank circular issued yesterday.

The central bank had initially widened the net for cash incentive on remittance on March 12 earlier this year in a bid to encourage the use of legal channels for sending money home from abroad.

The country's scheduled banks were instructed to follow the order with immediate effect. However, the move puzzled bankers as it was left uncertain from which date the incentives were to be given.

This prompted Bangladesh Bank to issue yesterday's circular, where it reiterated the guidelines to provide cash incentives on remittance and announced July 1, 2019 as the start date.

On August 6, 2019, the banking regulator declared that 2 per cent cash incentive would be given to individuals working at certain foreign offices that send remittance through official channels.

On March 12, it widened the criteria for incentives to include the shipping and airline sectors.

The government has allocated a Tk 3,060 crore fund to provide such incentives in the ongoing fiscal year.

For a person to avail a cash incentive of up to $1,500, the submission of various documents will not be required and the incentive will be disbursed almost instantly.

However, if remittance crosses the $1,500 mark, the receiver will have to submit an appointment letter from the sender's respective foreign company.

Meanwhile, businesspeople will have to submit a copy of their trade licence.

Policies on e-commerce operations, complaints this month

Consultative committee decides in first meeting

Md Fazlur Rahman

The government has decided to draw up policies on the operations of e-commerce firms and complaint settlement by this month as it looks to pave the way for the expansion of the fast-growing sector.

The decision was taken at the first meeting of the newly formed digital commerce consultative committee yesterday.

Md Hafizur Rahman, director-general of the WTO Cell and also the convener of the committee, presided over the meeting, which was held virtually.

"The draft of the policies is ready. We will organise a seminar this month where we will discuss the policies with stakeholders. We will finalise the policies on the basis of the recommendations," said a senior official of the commerce ministry who attended the meeting.

In a circular on Monday, the commerce ministry said it has established the committee to help the sector reach its potential.

The meeting decided to bring e-commerce under trade licence norms. An e-Commerce Complainant Cell would be formed through the coordination of the committee and the e-Commerce Association of Bangladesh (e-CAB) to protect the rights of consumers, said the association in a press release.

"This is a good move and it would help establish coordination in the sector," said Muhammad Abdul Wahed Tomal, general secretary of the e-CAB, about the formation of the committee.

The committee includes representatives from the Export Cell, the FTA Cell, the Administration Cell, the IIT Cell and the DTO Cell of the commerce ministry, the Export Promotion Bureau, the Bangladesh Trade and Tariff Commission, the Registrar of Joint Stock Companies and Firms, the Office of Chief Controller of Imports and Exports, the Directorate of National Consumer Rights Protection, the Business Promotion Council, the National Revenue Board, the ICT Division, the Posts and Telecommunications Division, the central bank, the e-CAB and the Business Initiative Leading Development.

BY THE NUMBERS

- E-commerce firms: **1,300**
- Facebook-based units: **1** lakh
- Market size: Tk **10,000**cr
- Annual growth: **50**pc

The committee would work to implement National Digital Commerce Policy 2018, attract investment and support e-commerce firms to secure loans from banks and non-bank financial institutions.

It would identify supports that would take the sector forward and the risks and obstacles facing the sector and take measures to remove them.

Safeguarding the rights of consumers, putting in place secure payment systems and improving delivery system would also be its focus.

The consultative committee would make recommendations to formulate policies on cross-border retail e-commerce and take initiatives so that such exporters can send out products legally.

Bangladesh's online business industry is worth more than Tk 10,000 crore and has been growing at about 50 per cent annually, according to the e-CAB.

After the coronavirus reached the shores of Bangladesh, people's perception about e-commerce changed and the use of e-commerce has accelerated in recent months. More and more people are now buying things online.

The exact number of e-commerce firms in Bangladesh is hard to get by.

The e-CAB has about 1,300 members. There are more than 1 lakh Facebook-based entrepreneurs.

Some local groups have begun their e-commerce ventures to reach out to customers during the pandemic. In Bangladesh, three types of e-commerce firms are prevalent: business-to-business, business-to-consumer, and consumer-to-consumer.

The committee was formed at a time when the sector is going through a transformation as the pandemic forced people to shop online and companies to sell online.

Zahid Hussain, a former lead economist of the World Bank office in Bangladesh, said steps have to be taken to integrate the vast number of cottage, micro, and small industries spread across the country.

They face challenges in marketing their products even during normal times and their profits get squeezed because of the middlemen, he said.

"The integration can help producers get fair prices, which would, in turn, help them grow further and create more jobs."

He said other countries such as China have successfully integrated their cottage and micro firms through e-commerce. "We can study the success stories and formulate our strategies."

READ MORE ON B3

Automakers seek delays, exemptions to India's planned new rules for parts

Reuters, *New Delhi*

Foreign automakers are seeking delays and exemptions to India's planned new quality rules for imported auto parts, arguing the regulations will increase costs, hurt sales and disrupt supply chains, sources with direct knowledge of the matter told Reuters.

Prime Minister Narendra Modi is keen to reduce imports to boost local manufacturing to make India more self-sufficient and enable it to play a bigger role in the global supply chain. That said, the move is seen mainly aimed at slashing the amount of lower-quality imports from China.

"There is short term pain but there is long term gain," Commerce Minister Piyush Goyal told an auto convention last week, saying India has become a dumping ground for low-quality goods by not having standards similar to other countries.

New rules mandating stricter quality checks have been flagged in stages for various auto parts since early this year and tighter regulations for wheel rims could be introduced as soon as October, according to a draft government notice.

All automakers will have to comply, but foreign premium brands such as Daimler's Mercedes-Benz, BMW and Audi will suffer most as they have the highest ratio of imported parts, four auto executives told Reuters.

"It's just an additional compliance burden and will not lead to higher local production because the volumes for luxury are too small to achieve economies of scale," said one of the executives. The sources declined to be identified, citing sensitive negotiations with the government.

Luxury carmakers account for less than 1 per cent of India's annual passenger car sales in terms of volume although they contribute roughly 10 per cent in terms of revenue.

Executives from premium German brands as well as Volkswagen AG, Ford Motor Co and Toyota Motor Corp have held several rounds of talks with government officials in recent weeks, sources said.

Martin Schwenk, head of Mercedes-Benz India, said in a statement to Reuters that additional requirements "will make low volume business unviable". His company is requesting a "reasonable time line for mid to long term implementation, and exemptions for low volume manufacturers in the short-term."

Volkswagen Group's India unit also said in a statement that for premium vehicles it was not possible to localise a "majority of components or spares as the total size of market is marginal."

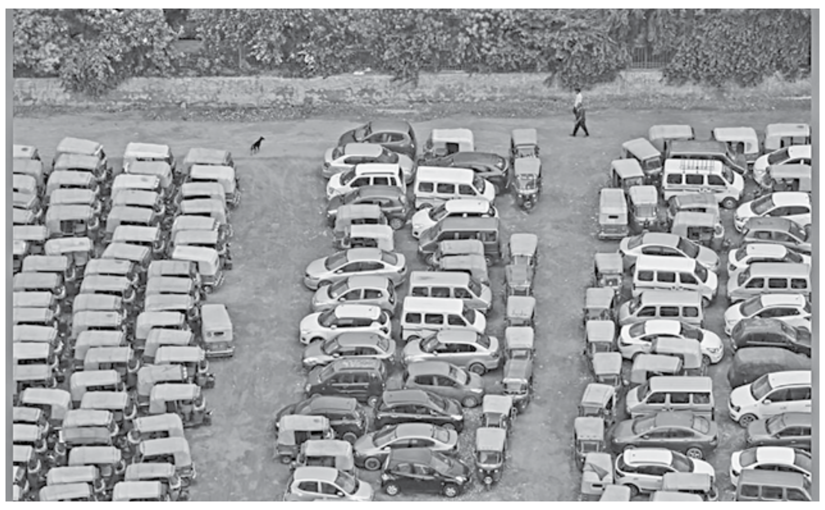
Other automakers named in this article did not respond to Reuters requests for comment.

Automakers are also lobbying through the Society of Indian Automobile Manufacturers (SIAM) which sources say is seeking up to a year to comply with the rules for sources said.

The draft government notice for wheel rims calls for new rules to go into effect from Oct. 1 and includes a requirement that there be an audit of the plant where the rims are made. That would be difficult with current travel restrictions in place due to the coronavirus pandemic, sources said.

It was not clear when the draft notice might be finalised.

To receive a shipment of imported cars or knocked-down car kits an order needs to be placed with global headquarters at least four months in advance, executives at two automakers said. "If there is no clarity, the headquarters will not take new orders and sales will suffer," said one of the executives.



REUTERS/FILE

People walk past parked autos and cars in a parking during an extended nationwide lockdown to slow the spread of the coronavirus disease in New Delhi.

higher volume vehicles where parts can be sourced locally.

The industry body is also seeking exemptions for low volume cars such as luxury models and for parts which automakers directly import as opposed to parts imported by trading companies and by vendors in the after-sales market, the sources said.

Mercedes' Schwenk said the company had addressed its concerns through SIAM to relevant authorities and was "hopeful of a positive outcome".

In addition to those lobbying efforts, Volkswagen, Mercedes and BMW also held a meeting with the German ambassador in New Delhi in July to apprise him of the issue,

From April 1, 2021 similar rules will apply to windshields and other safety glass. In June, India also made it mandatory for companies to get a licence to import certain types of tyres

"This is against every tenet of ease of doing business," said a senior auto executive, noting the new rules come at a time when the pandemic has hit revenue and demand, and could discourage further investment in India.

"Much more than the cost it is the complexity which affects the willingness of global companies to continue selling affected car models in India," the executive said.

First woman to head a Wall Street bank

Reuters

Citigroup Inc on Thursday named consumer banking head Jane Fraser to succeed Michael Corbat next year as the bank's chief executive officer, making her the first woman to lead a major Wall Street bank.

Globally, female leaders are still a rarity in banking. Alison Rose became the first woman to head a British bank when she took on the role at Natwest Group last year, while Santander executive chairman Ana Botin is the only female head of a major euro zone lender.

Fraser has long been seen as a rising star on Wall Street, and last year was seen as a potential CEO candidate by Wells Fargo & Co's board, before it settled on former JPMorgan executive Charles Scharf.

A 16-year veteran at Citi, who first joined to run client strategy in the investment bank, Fraser started her career at Goldman Sachs in the mergers & acquisitions department in London and then worked for Asesores Bursátiles in Madrid, Spain.

"Timing wise, this is a surprise to us. Strategically this could prove an opportune time for a transition in leadership at Citi. Investors will need to hear more from Jane, sooner rather than later," Credit Suisse analyst Susan Roth Katzke said in a note.

Last October, Fraser was promoted to the role of president and tasked to head its global consumer bank, a move that was widely seen as a precursor to her elevation.

ECB eyes future stimulus as deflation rears head

Afp, *Frankfurt*

The European Central Bank is expected Thursday to hint at new stimulus measures, armed with a fresh set of economic forecasts amid rising Brexit tensions and fears of a coronavirus resurgence.

The ECB will publish its latest assessments on the eurozone's growth prospects through to 2022, which will be closely scrutinised for signs of whether the worst of the pandemic's devastating economic impact is over.

Inflation trends will also be key as fears of deflation are fuelled by a climbing euro, faltering oil prices and consumers putting off purchases in the grim economic climate.

Second-quarter data published on Tuesday confirmed the largest-ever quarterly decline in eurozone GDP and while the recovery in the third quarter may be steep, many economists predict the rapid rebound phase has already come to an end.

News this week that Britain may renege on its withdrawal agreement with the European Union, raising the possibility of a no-deal Brexit that could massively disrupt trade, further complicates the picture.

The Frankfurt-based institution is in the process of pumping 1.35 trillion euros ($1.59 trillion) into the eurozone economy through its pandemic emergency bond-buying programme, known as PEPP.

The aim of the huge stimulus scheme is to keep borrowing costs low and to encourage spending and investment in a bid to drive up growth and inflation.But with no end to the health crisis in sight, investments are lacklustre while households are hesitant to take on loans.Across the Atlantic, a major policy shift by the US Federal Reserve has also thrown a spanner in the works.

In a stunning change, the Fed last month said it would allow inflation to accelerate to let the economy generate more jobs. The announcement triggered a significant weakening of the US dollar against the euro, which could make eurozone exports more expensive and less competitive.

BNP Paribas economist William De Vijlder said the ECB was faced with "three headaches". "Inflation is too low and declining, the strong euro reinforces this development and there is concern that the change in the longer-term goal of the Fed... will complicate matters," he said.

The euro recently touched $1.20 for the first time in two years, from $1.06 in March, only paring some of the gains when the ECB's chief economist Philip Lane said the exchange rate "does matter" for monetary policy.

ECB chief Christine Lagarde's press conference at 1230 GMT will be scrutinised for hints on how the eurozone could hold down the euro.Analysts are not expecting any policy tweaks to be announced, with ECB governors likely to keep interest rates at historic lows and hold off for now on expanding the PEPP envelope.

What will count most on Thursday "is the question of whether the stronger euro has already opened the door for more monetary stimulus in the coming months," said ING chief economist Carsten Brzeski.

"Were it not for the strong euro, the September European Central Bank meeting on Thursday would probably have been a non-event," he added.A new set of inflation forecasts could well strengthen the case for additional monetary easing. The bank will likely add stimulus later in the year, according to Berenberg analyst Florian Hense, should the ECB predict that inflation will be well below two percent in its first forecast for 2023 at its December meeting.

European Central Bank President Christine Lagarde

India plans to restrict copper, aluminium imports with an eye on China

Reuters, *New Delhi*

India is planning to raise surveillance of copper and aluminium imports while developing policies to curb shipments from China and other Asian nations to protect domestic producers, said two government sources and an industry official.

Officials in New Delhi are expected to soon ask importers to register with authorities as a first step towards tighter controls that would require permits for individual shipments of the two metals, government sources said. The sources declined to be identified due to the sensitive nature of the discussions.

The move for greater screening is aimed at pushing economic self-reliance, the federal mines ministry said in a letter to the commerce ministry late last month. The letter reviewed by Reuters refers to Prime Minister Narendra Modi's push to reduce imports and increase exports of value-added products.

"The purpose of (the) system is to have adequate information ... so that an appropriate policy intervention could be devised," the mines ministry said in the letter.

Government sources said the aim of the tighter surveillance would be to move copper and aluminium imports onto a restricted items list, which would require importers to get a government-issued license for every shipment. India's federal mines and commerce ministries did not respond to requests for comment.

"The screening will help us devise policies like adding one or both the metals to the restricted list of goods as we will have enough data to see what is being dumped into the country," one government official said.

China, Japan, Malaysia, Vietnam and Thailand are among the major exporters of copper, accounting for 45 per cent of India's $5 billion in copper imports for 2019/20, government data showed.

India plans a similar mechanism for aluminium imports, which mainly come from China, the sources said.

"China is a huge threat for India's aluminium industry," B.K. Bhatia, joint secretary general at Federation of Indian Mineral Industries (FIMI), the country's biggest mining lobby, told Reuters. Since April, about 58 per cent of India's aluminium demand has been met by scrap imports, at prices 22 per cent cheaper than domestic primary aluminium, according to industry data.

Goldman Sachs sees double-digit returns in emerging market junk

Reuters, *London*

Analysts at Goldman Sachs have forecast double-digit returns on high yield - also known as junk - emerging market bonds over next 12 months if the world gets over its coronavirus worries.

"We continue to think EM HY sovereigns offer the best risk-adjusted total return opportunity: our 12m target of ~600bp for EM HY spreads (from ~730bp currently) implies double-digit total return potential," Goldman said in a note on Thursday.

The investment bank also forecast emerging market governments would issue at least $150 billion of dollar-denominated debt this year as they look to tackle the crisis, though it could be even higher.

AKIJ BOARD

Mohammod Khourshed Alam, director for sales and marketing of Akij Board, unveils the new logo of the particle boards manufacturer with a slogan 'Now you can', at an event recently.

European companies fear 'arbitrary punishment' amid China-Europe tensions

Reuters, *Beijing*

European companies in China are increasingly afraid of "arbitrary punishment" amid a more politicized business environment, a European business industry group said on Thursday.

The annual report of the European Chamber of Commerce in China also highlighted concerns about travel restrictions imposed on foreign workers because of the coronavirus pandemic and the exclusion of foreign businesses from key sectors of the economy.

"Companies are left navigating a political minefield during a health crisis of truly overwhelming proportions," chamber president Joerg Wuttke said in comments attached to the report, which draws on contributions from working groups, surveys and comments from its more than 1,700 members.

The report warned that the risk of deteriorating relations between China and Europe - over issues like Beijing's treatment of the Uighur Muslim minority and new national security legislation for Hong Kong - could seriously impact European companies doing business in China.

European companies now "have even more reason to believe that they could become victims of arbitrary punishment" due to their home country governments' actions against China, the report said.

The report cited China's imposition in May of a more than 80% tariff on Australian barley imports, effectively stopping a billion-dollar trade in a move widely viewed as linked to escalating political tensions between Canberra and Beijing.

Already inflamed by Australia's allegations that China was meddling in its domestic affairs, relations worsened when Prime Minister Scott Morrison called for an independent inquiry into the origins of COVID-19.

Travel restrictions imposed amid the pandemic have also left many European company employees stranded outside of China, and discrimination against foreigners was ignored by Chinese officials, the said.

"Chamber members cannot help wondering if these actions and inactions are indicative of a broader mindset that while foreign capital and technology are desired in China, foreigners themselves are not," it said.

The report also cites a continued lack of significant opening of China's market, with bureaucratic obstacles to full entry in sectors like banking and insurance, cutting off foreign companies from gaining market share.

"Worryingly, there now seems to be a growing list of sectors that either restrict foreign investment, or in which support is provided to China's national champions to the extent that it squeezes out any potential European competition," it said.

Renewables, telecoms, and other high-tech industries with strong growth potential are tightening up to foreign investors, the report said.

China has sent both its foreign minister and top diplomat to Europe in recent weeks, in efforts to bolster ties amid increasing tensions with the United States.

India August inflation seen above RBI's target range

Reuters, *Bengaluru*

India's retail inflation likely stayed above the Reserve Bank of India's medium-term target range in August for the fifth straight month as supply disruptions kept food and fuel prices high, a Reuters poll showed.

While the government has eased lockdown restrictions to revive the economy, supply distortions remain due to coronavirus cases rising domestically at the fastest pace in the world.

The Sept. 4-9 Reuters poll of nearly 50 economists suggested consumer prices rose 6.85 per cent last month from a year ago.

While that is slightly lower than the 6.93 per cent surge in July, if realised it would mean inflation was above the central bank's target range of 2-6 per cent for a fifth straight month - something not seen since August 2014.

"Supply side disruptions have led to an increase in food prices, especially vegetables. Moreover, some pent-up demand supported core inflation along with high gold prices and an increase in excise duty on petrol and diesel that have second round effects," said Sakshi Gupta, senior economist at HDFC Bank.

Good monsoon rains - a key factor for agricultural produce and rural demand in India - raised hopes of some easing in the rise in food costs but a meaningful decline may be a distant possibility as transportation remains a major concern as the virus is still spreading rapidly.

That gives little room for further monetary policy easing despite official data showing Asia's third-largest economy contracted a record 23.9 per cent last quarter and expectations for a first full-year contraction in four decades.

Still, the RBI - which has slashed its key repo rate by a cumulative 115 basis points since the pandemic began - kept rates on hold last month on concerns over rising price pressures.

"We think the trajectory of inflation suggests a very high likelihood the monetary policy committee will remain on hold in the next two meetings with the final rate cut possible in February 2021," said Aditi Nayar, principal economist at ICRA.

The poll also forecast industrial output plunged 11.5 per cent in July - marking a fourth straight month of decline.

Those expectations came after a near 10 per cent fall from a year ago in the output of eight core industries, or infrastructure output, which accounts for about 40 per cent of total industrial production.

REUTERS/FILE

Vendors wait for customers at their respective shops at a retail market in Kolkata.

India's Reliance offers Amazon $20b stake in retail arm

Reuters, *Bengaluru*

India's Reliance Industries is offering to sell a roughly $20 billion stake in its retail arm to Amazon.com Inc, Bloomberg News reported on Thursday, citing one unnamed person with knowledge of the matter.

The oil-to-telecoms conglomerate led by billionaire Mukesh Ambani, which has already raised $20 billion in this year from investors including Facebook and Google, is willing to sell an up to 40 per cent stake in the retail business to Amazon, the agency reported.

Neither Amazon nor Reliance responded to Reuters requests for comment.

Asia's richest man, Ambani is turning his focus toward retail after successfully building India's top telecom network by customers in less than four years, hoping to take a dominant position as India's huge consumer market comes of age.

Amazon has held talks about investing in Reliance Retail and expressed interest in negotiating potential deals but has made no decision, Bloomberg's report said.

Reliance Retail, with close to 12,000 stores selling a wide range of products, acquired rival Future Group's retail arm last month and on Wednesday announced a $1 billion investment from Silver Lake Partners.

Shares in Reliance were up 6.2 per cent in midday trading in Mumbai after hitting a record intraday high.

Ctg customs to auction off abandoned food items, chemicals

FROM PAGE B4

Mostly from China, India, Australia and Singapore, the goods include commodities, cosmetics, chemicals, plastics, automobiles, electronic and leather goods, construction materials, tiles and ceramics, according to data collected from the National Board of Revenue and Chattogram customs.

"If the imported goods do not get delivered within the stipulated time, we send the information of these products to the auction branch of customs," said Md Zafar Alam, member (administration and planning) at Chittagong Port Authority.

"Although the port is responsible for maintaining the goods, it is the responsibility of the customs authorities to auction those off or destroy those," he said.

On why it was taking so long to hold auctions, customs officials said most of them were performing roles of multiple posts for an acute shortage of manpower.

The customs house has only 597 employees whereas an estimate of the 1980s recommended that there should be 1,248.

BoP returns to black

FROM PAGE B1

Weak private consumption spending raises private savings, particularly when remittances have boomed. Private investments have remained depressed as reflected in declining imports of capital goods.

"This shows that consumer and investor confidence is far from recovering to a pre pandemic level," the economist said.

Gross reserves stood at $37.288 billion in July, enough to meet the country's imports of goods and services for seven months.

Reform hopes rise as China focuses on inward economic shift

Reuters, *Beijing*

Chinese reform advocates are hoping President Xi Jinping's proposed new economic model, expected to be the centrepiece of a key conclave next month, is an opportunity to quicken changes to spur domestic demand and tackle structural woes.

The new development model will be discussed at a meeting of the ruling Communist Party in October, where policies are expected to be built into the next five-year road-map for the economy, policy insiders said.

Xi in May proposed a "dual circulation" strategy for the next phase of economic development in which China will rely mainly on "domestic circulation" - an internal cycle of production, distribution and consumption.

That will be supported by "international circulation", in which China further integrates with the global economy, opening its doors to more foreign goods, capital and investment.

As tensions between Washington and Beijing rise, the potential decoupling of the world's two largest economies presents significant risks, a prospect that is firming China's resolve to shift reliance to its own vast domestic market, policy insiders said.

The gathering of the Central Committee, the largest of the Communist Party's elite decision-making bodies, will focus on the 2021-2025 plan for the country's social and economic development. It will be the 14th such plan since China embarked on rapid industrialisation under its first five-year plan in 1953-1957.

"It (dual circulation) will be a pivot of the 14th five-year plan. There will definitely be difficulties to make it work," said a policy insider.

Guided by the new strategy, elements of the 2016-2020 plan, including supply-side reforms and policies to spur urbanisation and innovation, are expected to be taken to the next level, the details of which will be unveiled at the annual parliamentary session next year.

Few details have been published on the scheme itself, but economists and think tanks are proposing various reforms that they deem crucial to steering a more self-reliant economic course and building long-term growth drivers, they said.

China's State Council Information Office did not immediately respond to a faxed request for comment.

Government advisers have called for faster reform of China's land and residency systems - key obstacles to its goal of building a highly urbanised, consumer-driven economy - and tackling a yawning rich-poor gap that has weighed on spending.

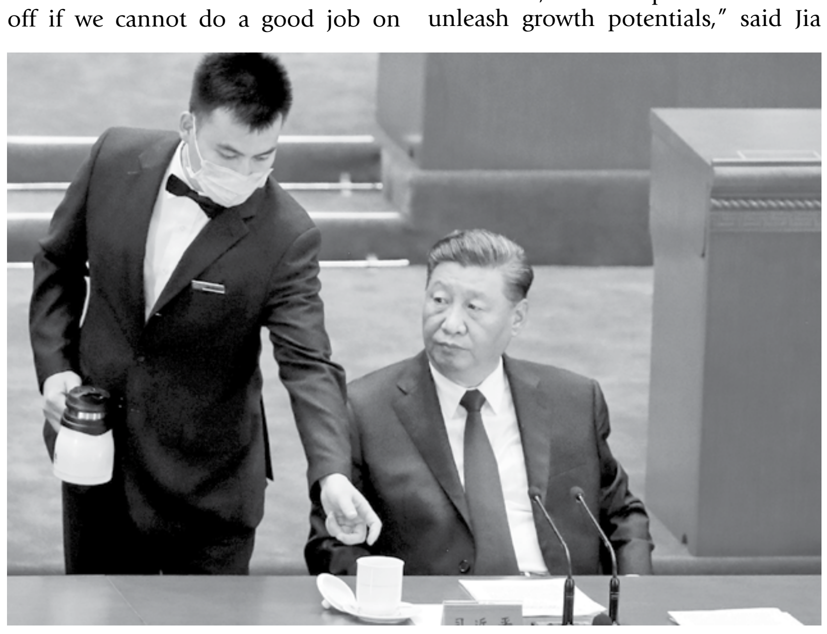
Overhauling giant state companies would help tackle deep-rooted economic distortions and help level the playing field for struggling private firms, they argued.

"Domestic circulation won't take off if we cannot do a good job on volatile exports has been a key policy goal for the past decade.

But many Chinese advisers and economists are disappointed over the pace of reform in recent years, as a stability-obsessed government has plucked lower hanging fruit and delayed more painful reforms first unveiled at a key party meeting in 2013.

Increased control by the ruling Communist Party over all aspects of society has raised doubts about faster changes.

"If we want to rely on domestic circulation, we must push reforms to unleash growth potentials," said Jia



REUTERS

An attendant wearing a face mask serves tea for Chinese President Xi Jinping during the meeting to commend role models in China's fight against the coronavirus disease outbreak, at the Great Hall of the People in Beijing, China on September 8.

reforms," said a government adviser who declined to be identified.

At a meeting with Chinese economists on Aug. 24, Xi pledged to take more measures to break down "deep-seated institutional barriers", and reaffirmed a longstanding pledge to let markets play a decisive role in resource allocation.

In April, China's cabinet issued guidelines on improving market-based allocation of "production factors", including land, labour, technology and capital, in a bid to deepen market-oriented reforms.

To be sure, rebalancing the economy to rely more on consumer spending and less on inefficient investment and Kang, head of China Academy of New Supply-side Economics, a think tank.

The stakes are high.

Three decades ago, China took advantage of its abundant cheap labor, importing parts and components before re-exporting finished products. In recent years, it has pivoted towards consumption-led growth.

Last year, total exports and imports accounted for 32 per cent of gross domestic product (GDP), down from a peak of 64 per cent in 2006. Consumption as a share of GDP climbed to 55.4 per cent last year from 49.3 per cent in 2010, but was still far lower than 70-80 per cent in developed economies.

US weekly jobless claims stuck at higher levels

Reuters, *Washington*

The number of Americans filing new claims for unemployment benefits hovered at high levels last week, strengthening views that the labor market was settling into a more gradual path of recovery from the COVID-19 pandemic.

Initial claims for state unemployment benefits totaled a seasonally adjusted 884,000 for the week ended Sept. 5, matching the number of applications received in the prior week, the Labor Department said on Thursday. Economists polled by Reuters had forecast 846,000 applications in the latest week.

Though claims have dropped from a record 6.867 million at the end of March, layoffs persist across industries as many companies have exhausted loans from the government to help with wages and the coronavirus lingers. A weekly unemployment supplement, credited for the sharp rebound in economic activity, starting with record retail sales growth in May, lapsed in July.

Airlines, including United Airlines and American Airlines have announced furloughs and job cuts. There have also been layoffs at oilfield services and equipment companies.

Economists believe the labor market could take years to return to its pre-pandemic levels and are urging the White House and Congress to restart stalled negotiations for another rescue package amid a setback in the quest for a vaccine.

ByteDance may miss US deadline for TikTok deal

Reuters

ByteDance is likely to miss the deadline imposed by the Trump administration for the sale of TikTok's US assets as new Chinese regulations have complicated deal talks with bidders Microsoft Corp and Oracle Corp, Bloomberg reported on Thursday.

The company likely needs beyond the US executive order ban on Sept. 20 to reach an agreement with either of the parties due to the Chinese regulatory review, the report said, citing people familiar with the matter. ByteDance did not immediately respond to a Reuters request for comment.

The Trump administration is seeking to ban TikTok unless ByteDance sells the short-video app's US operations, citing potential national security risk due to the vast amount of private data the app is compiling on US consumers.

Policies on e-commerce operations, complaints this month

FROM PAGE B1

Internet infrastructure has to be improved to take the sector forward and the projects related to technological upgradation have to be implemented quickly, Hussain said.

He emphasised on quality regulations so people did not end up being cheated.

"Because of the anonymity, we may not get the delivery of the products we see on the pages of the e-commerce platform. Then where do we go to have the grievances addressed? These are needed to help the market function properly."

Bangladesh's e-commerce market is expected to reach $3 billion by 2023 on the back of a digital foundation laid down by the government and a young and tech-savvy population, said Statista, a German research firm, last year.

Resorts reeling under pandemic woes

Mahmudul Hasan

It is natural to assume that whenever disasters strike, a country's hospitality industry is usually the first to feel its effects but is the last to recover, since expenses here are deemed non-essential.

True to that tune, the Covid-19 fallout has left Bangladesh's hospitality sector grappling for survival over the past six months even though the cogs of the economy have started to turn again.

Although most people are back on the streets as the economy is slowly returning to normalcy, empty hotel rooms, deserted resorts and a sharp decline in both international and domestic travel have left the sector in a position from which recovery remains unforeseeable.

As a result, the hotels and resorts located in the north-eastern division of Sylhet are suffering from capital shortages.

"Our business has been severely affected by the pandemic," said Arifur Rahman, managing director of The Palace Luxury Resort.

The resort, located in a remote village in Habiganj district, was shut down for more than four months due to the coronavirus pandemic as people opted to stay at home rather than risk infection.

Its doors were finally reopened in early August with consent from the authorities and now the average occupancy rate stands at just 20 per cent compared to 56 per cent in the pre-pandemic time.

"People are bored staying at home for a long time and are now coming out but the pace is slow because they are still cautious," Rahman said.

Built on 150 acres of land, the resort boasts 100 rooms and 32 villas and employs about 390 people. It is one of the largest retreats in the country as is famous for being at the heart of breathtaking natural beauty.

However, the size of the operation and its location has cost it dearly amid the pandemic.

On the other hand, the owners of hotels and resorts located in the city can close down their business for certain periods of time without additional anxiety as most of their operations can be maintained with minimal efforts.

"But, to take care of a vast area like The Palace, a big workforce is needed," the managing director said.

Hotels and resorts located in the north-eastern division of Sylhet are suffering from capital shortages as their occupancy rates have flatlined at the lowest possible levels. PHOTO: COLLECTED

If not maintained regularly, the entire area becomes a jungle of bushes and shrubs. Besides, various wildlife such as monkeys begin to wreak havoc on the resort when the place lacks human presence.

As a result, maintenance costs have gone up a lot, he added.

Buoyed by a renewed interest from the country's bourgeoning middle-class to holiday at Habiganj, Moulvibazar and Sunamganj where dozens of tourist spots are located, the resort business got a shot in the arm as more than a dozen such establishments have been built across these locations in less than a decade

Most of these establishments were developed using bank loans and this made paying the associated monthly instalments amid the shutdown one of the biggest worries for hotel owners.

However, the situation is improving day by day and provided guests follow the health guidelines while vacationing, everything is expected to change for the better.

"Many companies used to organise their annual conferences outside the country. But this year, air travel got costlier and so, if they decide to arrange their conferences in the country, we would be benefitted," Rahman said.

Shuktara Nature Retreat, a resort sitting on three acres of land in Sylhet's Khadimnagar, has been able to rent out an average of 5 to 7 rooms out of a total 24 per day since it reopened in early August.

"Although business is bad, the good news is that many people are now making inquiries about the safety measures at the resort. We assure them that we follow the Covid-19 health guidelines properly," MH Murad, managing director of Shuktara, told The Daily Star.

During its four-month halt to services, Shuktara, which has 45 staff members, lost revenue of over Tk 70 lakh.

"It has been a tough time. We had to pay the salary of staff members despite having no income," Murad said, adding that they paid off 14 lakh of their bank loan during the same period.

The managing director also said he was not pleased with the government's stimulus packages.

"If we apply for a loan of Tk 20 lakh from the packages, they want to give Tk 3 lakh. Much like giving something to a beggar. But, we, the private sector, pay the government all the VAT and taxes," he said.

Murad appealed to the government to provide loan facilities at simple interest and a few years' grace period so that they can survive the Covid-19 fallout.

Meanwhile, the Grand Sultan Tea Resort & Golf, an upscale resort in Sreemangal of Moulvibazar, is yet to reopen since shutting down in late March.

"We have been evaluating the pandemic situation. If guests do not come after opening, there will be more losses," said Arman Khan, assistant general manager of the Grand Sultan.

The resort, which is built on 13.3 acres of land and currently employs about 400 people, has been incurring losses since February.

"For fear of the coronavirus, many events were cancelled in February and March," said an official of the resort.

Business at the DuSai Resort & Spa in Giashnagar in Moulvbazar though seems to be faring comparatively better as its average daily occupancy rate reached 33 per cent in August.

"We reopened our resort after Eid and since then, the presence of guests has been increasing day by day. This month's occupancy rate will exceed 35 per cent," said Kawser Lincoln Arefin, managing director of the resort based on 15 acres of land.

However, only 65 rooms have been opened at the 90-room resort in order to maintain social distancing rules.

Ctg customs to auction off abandoned food items, chemicals

Beirut blast prompts authorities to take action

Mohammad Suman, *Ctg*

Taking note of last month's catastrophic blast in Beirut port, customs authorities in Bangladesh have started auctioning off around 278 tonnes of chemicals and food items lying unclaimed at the Chattogram port since 2008.

The explosion on August 4 that ripped through the Lebanese city killed about 190 people. The authorities said it was caused by about 2,750 tonnes of ammonium the port, defaulting on which results in those being set aside for auction.

Goods might be left unclaimed for a fall in prices in local markets, absence of original shipment documents, clearances and permits and refusal to pay fines, Faisal Bin Rahman, assistant commissioner at Chattogram Customs House, told The Daily Star.

Chattogram Customs House started accepting bids from last Monday. Over 50 bidders have responded since then.

FILE PHOTO

A customs employee is preparing a list of goods to be auctioned off.

nitrate that had been stacked in unsafe conditions in a port warehouse for years.

This has prompted the Chattogram port and trade bodies in Bangladesh to write to customs seeking removal of all hazardous goods left unclaimed at the port.

The goods now up for sale include artificial wax which is derived from petroleum, antiseptic hand sanitiser which contains flammable alcohol, disinfectant liquids and phosphoric acid.

Customs law stipulates taking delivery of goods within 45 days of those reaching

"There is good response from bidders as the quality of the goods were in good condition.

After the end of the auction process, we would be able to publish names of the top bidders and hand over the goods within a short time," said Rahman.

Chattogram port data shows around 8,699 containers filled with over 100 types of goods have been lying abandoned and awaiting auction since January 2015 up to July this year.

READ MORE ON B3

Investors misjudge BSEC steps, still running after junk shares

Star Business Report

Junk stocks sold like hot cakes at the country's bourses yesterday as investors are hopeful of seeing returns due to an ongoing effort from the Bangladesh Securities and Exchange Commission (BSEC) to bring corrections to underperforming shares.

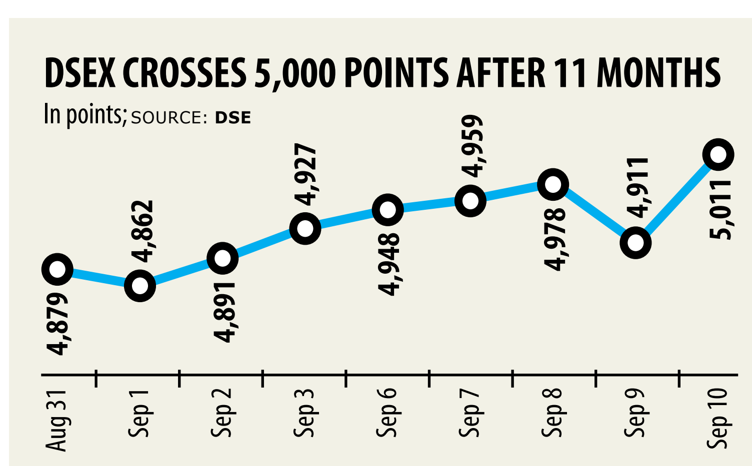
"Many general investors think that junk stocks will become profitable due to the steps taken by the stock market regulator," said a senior official of a leading brokerage firm.

Last week, BSEC upgraded 12 junk stocks and asked 22 companies to share their business plans in order to bring them into accountability.

"But investors are chasing a mirage as this does not mean that the companies will begin to perform well soon," the broker said, adding that share prices have skyrocketed as a result.

Since junk stocks are overpriced, it would be wise to refrain from making major investments in non-performing companies, according to market analysts.

Among yesterday's top five gainers, three were non-performing companies, as per data from the Dhaka Stock Exchange (DSE).



RN Spinning Mills, one of the non-performers, topped the gainers' list with a 10 per cent increase while Jute Spinners stood second with 9.95 per cent.

The most demanded Z category shares were: Zeal Bangla Sugar Mills, Shyampur Sugar Mills, Golden Son, Imam Button, Meghna Milk, Familytex BD and Meghna Pet Industries.

Of the total 42 junk stocks available, 37 advanced while prices of only two fell and three remained the same.

Investors are misjudging the steps taken by the BSEC, said a top official of a merchant bank.

"The junk companies won't start making profits as soon as the BSEC takes the steps. It takes time for a company to book profits again. Some companies are not even in a position to bounce back at all," he added.

As a result, many of these companies will remain in the red and may face delisting or liquidation.

"BSEC should also investigate whether stock gambling fuelled the rise in share prices," he said.

However, the DSEX, the benchmark index of the DSE, crossed the 5,000 points-mark yesterday after a break of around one year.

The index rose 39.6 points, or 0.79 per cent, to close at 5,011.

Turnover, another important indicator of the stock market, fell 4.92 per cent to Tk 1,024.54 crore.

Of the total stocks, 190 advanced, 117 declined and 49 remained unchanged, according to DSE data.

Beximco Pharmaceuticals topped the DSE's turnover list with trades worth Tk 55.33 crore followed by Beximco Ltd, Brac Bank, Orion Pharmaceuticals and Orion Infusion.

Pragati Life Insurance shed the most -- 9.96 per cent -- followed by LR Global Mutual Fund One, Premier Insurance, United Insurance and NLI First Mutual Fund.

Union leaders tarnishing image of Dragon Sweater, its MD says

Star Business Report

Dragon Sweater Bangladesh paid wages for three months the factory was kept shut as per government instructions before terminating employees, who were unable to return to work once operations resumed, claimed Managing Director Mostafa Golam Quddus yesterday.

Still, a section of workers and their leaders are trying to tarnish the company's image, both at home and abroad, he told a press conference in the Sonargaon hotel.

The factory suspended operations on March 28 and two-thirds of its nearly 700 employees and staff joined work after it reopened, he said.

Some 140 workers could not return to work and the factory recruited some new workers to replace those absentees as operations had started running in full swing, said Quddus.

The company had paid the absent workers wages for the three months the factory was kept shut and there is no scope for any misunderstanding about it, Quddus said in a written statement.

> *Some union leaders have been hanging posters in front of different stores in Europe asking them not to purchase Dragon's products, says Mostafa Golam Quddus*

Some union leaders have been hanging posters in front of different stores in Europe asking not to purchase Dragon's products. Such activities by "a section of anarchists" have been creating doubts in the minds of international buyers, he said.

The claims made by Quddus are not true, said Jolly Talukder, general secretary of Garment Workers Trade Union Centre, a platform for garment workers.

Until now, jobs of some 500 to 600 workers have been terminated and they have not been properly paid, she said.

"Every worker deserves legal payment by the employer. So Quddus should pay his workers and staff properly," Talukder told The Daily Star over phone.

Regarding the posters abroad, she said it was an expression of solidarity by global union leaders. "So it is very simple that the union leaders in European have been expressing solidarity with us," Talukder also said.