STOCKS Week-on-week
DSEX 0.91% 4,872.30
CSCX 1.01% 8,337.75

COMMODITIES As of Friday
Gold $1,898.97 (per ounce)
Oil $42.93 (per barrel)

ASIAN MARKETS Friday Closings
MUMBAI 0.64% 39,982.98
TOKYO 0.41% 23,410.63
SINGAPORE 0.37% 2,533.02
SHANGHAI 0.13% 3,336.36

CURRENCIES As on Thursday STANDARD CHARTERED BANK

	USD	EUR	GBP	CNY
BUY TK	83.95	97.57	108.28	12.31
SELL TK	84.95	101.37	112.08	12.94

Star BUSINESS

DHAKA SUNDAY OCTOBER 18, 2020, *KARTIK 2, 1427 BS* starbusiness@thedailystar.net

Apparel exports to promising Asian markets take a tumble

Exporters keen to revitalise trade with India, Japan and China

REFAYET ULLAH MIRDHA

The fallouts from the coronavirus pandemic caused a dip in apparel shipments from Bangladesh to three promising Asian markets -- India, Japan and China -- in the last fiscal year, official figures showed.

In the years before the pandemic, garment exports to India had registered steady growth because of increased demands for the semi-high-end and basic apparel items from the neighbouring country's burgeoning middle class.

Besides, many international brands such as Walmart and H&M have opened retail outlets in India. As a result, garment shipments to the country have risen over the past few years.

However, apparel exports to India declined 15.70 per cent to $420.73 million in the fiscal year 2019-20 from $499.09 million the year before, according to data from the Export Promotion Bureau (EPB).

In FY18, Bangladesh had shipped $278.68 million in garment items to India, indicating that exports to the neighbouring nation were on the rise despite various non-tariff and para-tariff barriers.

Of the three Asian nations, Japan is the most promising market thanks to its duty benefits.

Garment shipments to the world's third-largest economy crossed the $1-billion mark a year ago but the Covid-19 has forced this value to move below Bangladesh's previous earnings.

Apparel exports to Japan fell 11.86 per cent to $961.94 million in fiscal 2019-20 from $1.09 billion a year ago. In 2017-18, Bangladesh exported garment items worth $846.74 million, EPB data showed.

Garment exports to Japan were growing mainly due to the high demand for woven formal shirts and some knitwear items. Some major Japanese retailers also directly source garment items from Bangladesh through their offices in the country.

Although China itself is the largest supplier of garments worldwide, apparels shipments to the world's second-largest economy from Bangladesh have been rising because of the high demand for the semi-high-end and basic garment items.

Since the rising middle-income groups in China can't afford the high-end garment items manufactured locally, they mostly rely on the garment items produced by Bangladesh.

Besides, the Chinese government has allowed duty-free access to 97 per cent of Bangladesh's products, including garment items.

Still, garment shipments to China slumped 34.86 per cent to $329.96 million in FY20 from $506.51 million in FY19. In FY18, Bangladesh exported apparel items worth $391.64 million to China, according to the EPB.

Exporters think that China, Japan and India could be the next major export destinations for Bangladesh's garment items. They are also interested to explore the markets as the government has been providing cash incentives on garment items under the non-traditional markets scheme since fiscal 2009-10.

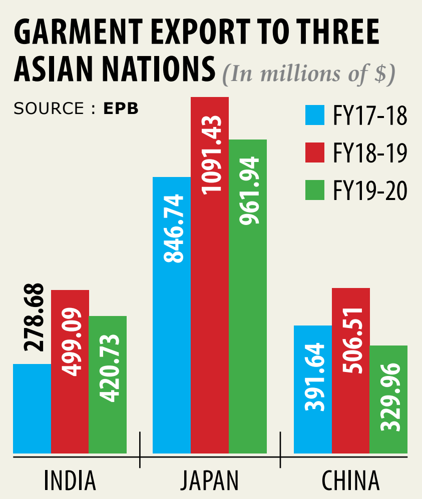
Thanks to the incentives, the apparel shipment to the Association of South-East Asian Nations (Asean) is growing.

Bangladesh imported 87.66 per cent of its textile from Asian markets to make garments in 2018, said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association.

That year, Bangladesh imported textile and other items worth $12.5 billion, of which $514.50 million was sourced from the Asean countries, she said citing a study.

Expenditure on clothing and footwear in the Asean nations was $51.2 billion in 2017. In FY18, Bangladesh exported garment items worth $314.50 million to the Asean region, she added.

In 2016, the combined size of the GDP of the Asean nations rose to $4,034 billion from $2,373 billion in 2007. The trade bloc is set to become the world's fourth-largest by 2030.



Unitex Group to splash out Tk 650cr on new ventures

Plans to establish chemical, steel and paint manufacturing units in Bangabandhu Shilpa Nagar

JAGARAN CHAKMA

Unitex Group plans to invest about Tk 650 crore to set up manufacturing plants for chemicals, steel and paint at the Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN) in Chattogram.

The company has already submitted its investment proposal to the Bangladesh Economic Zones Authority (BEZA), seeking a 20-acre plot at the BSMSN.

"We will start development work on the proposed project after getting the land allotment," said Mohammad Arif, chief financial officer of Unitex, adding that he expects to secure a lease agreement by December.

Of the total investment, a private bank has hinted that it would finance 60 per cent of the project while the rest will be paid through the company's equity.

The plan will be implemented in phases with the steel and chemical manufacturing plants to be constructed first while the paint factory will be established later.

Bangladesh's steel industry is growing in line with the government's development works in the commercial, housing and public sectors.

It is estimated that the sector generates around $3.6 billion in revenue each year and in 2016, government projects accounted for about 40 per cent of the country's total steel consumption.

AT A GLANCE

UNITEX

- Total investment:Tk 650 crore
- Bank finance: 60%
- Own funds: 40%
- Total land: 20 acres
- Total employment:1,100
- Products: steel, paint and chemicals

With that in mind, the new steel manufacturing unit, which is expected to create about 1,100 opportunities for direct employment, will be dedicated to the local market.

On the other hand, the chemical plant will supply both the domestic and export markets.

Asked about the challenges when making such investments, Arif said that every investment carries the potential for loss or gain.

"But these sectors where we are investing have shown promises for the future," he added.

Unitex began its journey as a spinning and composite yarn manufacturing business in 1992 and has since evolved into a rapidly growing multi-dimensional conglomerate.

The group considers itself to be a solution provider, primarily for cotton sourcing and logistics support. Unitex also provides a wide variety of services in other sectors, including liquid petroleum gas and petroleum.

Meanwhile, Beza Executive Chairman Paban Chowdhury said they will allow construction work on these factories to commence after the central effluent treatment plant is established. The country's economic zones authority encourages this type of investment inside the BSMSN as it will generate more employment opportunities.

The land will be allotted for the project considering Unitex's investment plans, he added.

As per the investment proposal, Unitex wants to produce import substitutes for chemical, steel and paint products in the domestic market.

The group decided to invest after assessing the market's potential as it has a keen understanding of business.

For this reason, they should not face any challenge to make this investment, Chowdhury said.

Insurance stocks: Sponsors selling, investors still on a buying spree

AHSAN HABIB

While insurance stocks were skyrocketing riding on rumours in the last two months, their sponsors wasted no time in making a quick buck.

Eight sponsors and directors of seven listed insurers sold 23.73 lakh shares to general investors at prices which were prevailing at that time in the market, which had a cumulative value of around Tk 15 crore.

When sponsors and directors of the companies were selling shares and saying that there was no undisclosed reason for the unusual price hike, general investors were buying insurance stocks based on rumours, according to market insiders.

"The rumour is that gamblers are staying with the stocks, so these stocks would rise," they said.

The insurance sector topped the turnover list along with the top gainers' list in the last two months, data from the Dhaka Stock Exchange (DSE).

General investors should be much more educated on the matter and exhibit more common sense, said a top official of the Bangladesh Securities and Exchange Commission (BSEC).

He expressed frustration and bewilderment at investors going wild over owning these shares when the company sponsors themselves were selling their stakes.

"Investors should be cautious about their investment, otherwise their investment will fall into problems," the BSEC official said.

Sponsors can sell their shares while maintaining due process of declaration and there is nothing illegal about it but the problem lies in investors not realising that it might be risky for them to invest in overvalued insurance stocks, he added.

Almost all insurance stocks doubled during the last two months and the sponsors sold their shares when prices were at their peak.

This scenario was witnessed in the case of Central Insurance, Agrani Insurance, National Life Insurance, Pioneer Insurance, Reliance Insurance, Rupali Life Insurance and United Insurance.

Meanwhile, a stock broker said that insurance companies were going to witness higher profits due to lower commission payments to agents.

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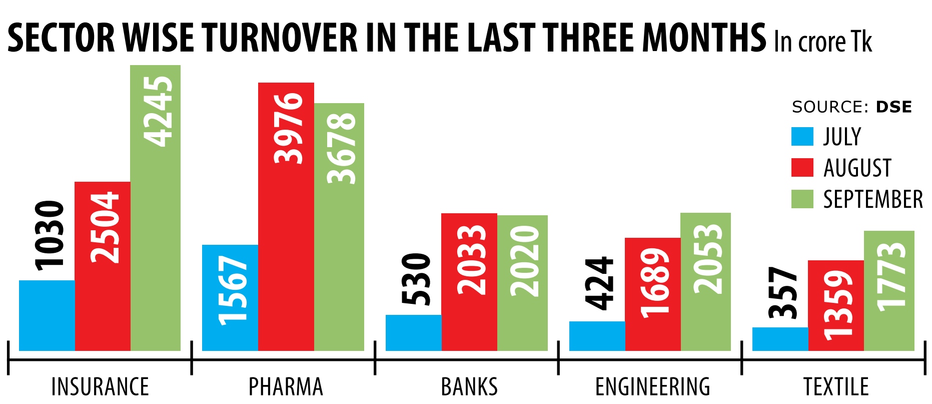
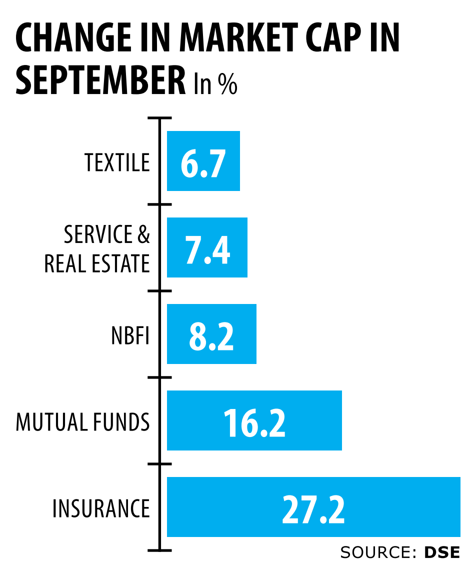




Potential of e-waste recycling remains untapped

E-waste management rules yet to be finalised

SOHEL PARVEZ

There is a growing interest among the residents of Dhaka to buy obsolete computers, used batteries of instant power supply (UPS) units and other old home appliances, indicating that the market for recycled electronics is expanding due to the increased generation of electronic waste.

Electronic waste, also known as e-waste, are often rich in precious metals and other reusable materials, such as plastic.

"We can get base metals such as iron, aluminium and copper by recycling e-waste," said Malik Hossain Al-Mamun, general manager of the Azizu Recycling & E-waste Company.

"We are building a recycling plant to recover valuable items for reuse. For example, we will make plain sheet from extracted base metals," he added.

Bangladesh generated about 4 lakh tonnes of e-waste in 2018 and it is estimated that this amount could reach 5.5 lakh tonnes in 2020, according to a Bangladesh University of Engineering and Technology study, sponsored by the Department of Environment (DoE).

With the current growth trend, the volume of e-waste produced annually is projected to be 12 lakh tonnes five years from now and 46 lakh tonnes by 2035.

The study, conducted in 2018, said e-waste was often referred to as an urban mine as it provides a source for several precious metals alongside hazardous ones.

"If the recovery of these precious metals can be performed efficiently in an environmentally friendly way, e-waste no longer remains a waste, rather it turns into a resource," it said, adding that gold recovery using the latest environment friendly technique showed a promising potential.

However, only 3 per cent of the e-waste generated annually is recycled while the remaining 97 per cent is mixed with municipal solid waste and used as landfill, which is very harmful for the environment, the study said.

Akter Ul Alam, an e-waste analyst, said the annual business potential from e-waste was likely to be $221 million.

"However, the benefits to the environment and human productivity far exceed its financial potential. It is like investing in education, human or food-chain development," he added.

Citing data from the WEEE Forum, a platform for e-waste management firms around the world, Alam said Bangladesh generates 1.3 kilogrammes of e-waste per capita annually.

STAR/FILE

Bangladesh generated about 4 lakh tonnes of e-waste in 2018 and it is estimated that this amount could reach 5.5 lakh tonnes in 2020.

To ensure that electronic waste is properly managed, the DoE took an initiative to form rules in 2012. Eight years and several revisions later though, it is yet to be finalised.

Mirza Shawkat Ali, director of climate change & international convention at the DoE, said the formulation of the rules have been delayed as Bangladesh has to comply with another World Trade Organization (WTO) rule requiring the country to notify the association's members before finalising such statutes.

Some WTO member countries had requested bringing some changes to the rules Bangladesh had drafted, including a provision which barred import of old or used electronic items, he said.

Ali also said they have already received some opinions from local stakeholders regarding the observations of some WTO members.

Bringing some subsequent changes but retaining the import bar, the draft rules have been submitted to the Ministry of Environment, Forest and Climate Change, he said.

"We have sought for holding an inter-ministerial meeting for issuance of a gazette in this regard," he added.

READ MORE ON B3

China's turbo-charged online fashion takes on Zara and H&M

REUTERS, *Madrid/Beijing*

China's Shein may be the biggest shopping site you've never heard of.

The fast-fashion player is encroaching on the territory of more established rivals like Zara and H&M. It has become the largest, purely online, fashion company in the world measured by sales of self-branded products, according to Euromonitor.

Nanjing-based Shein, founded in 2008, is aiming squarely at the "Gen Z" social-media generation, using influencers on Instagram and TikTok, and discount codes, to attract younger shoppers in an increasingly crowded fashion market.

REUTERS

A keyboard and a shopping cart are seen in front of a displayed Shein logo in this illustration picture.

It offers low-cost styles, uploading hundreds of new designs to its app every week. The price for a dress is around half that of Zara, according to a recent Societe Generale price survey.

"You can save money, which is important when buying clothes as the fashions change so quickly," said Rebeca Rondon, a 23-year-old student in Valencia, Spain, whose Instagram page compares dozens of styles from Shein and Zara head-to-head.

The Covid-19 pandemic has boosted online sales at retailers, giving online-only players like Shein, Britain's Asos and Germany's Zalando an edge over Inditex-owned Zara and H&M which have big city-centre stores.

In September, the Shein app saw 10.3 million downloads globally from across the App Store and Google Play, Sensor Tower data shows. In comparison, H&M's mobile app hit about 2.5 million, and Zara saw 2 million.

To date, Shein has reached 229.4 million downloads, versus H&M's 123.5 million and Zara's 90.6 million, the data shows.

In the week of Sep. 27-Oct. 3, Shein was the most downloaded shopping app globally on iPhones, according to analytics platform App Annie. It ranked in the top 10 in the United States, Brazil, Australia, Britain and Saudi Arabia.

Privately-owned Shein, which also sells on Amazon, does not publicly disclose sales or other financial figures. The company did not respond to emails or phone calls.

It has backing from investors including IDG Capital and Sequoia Capital China, according to PitchBook capital market data. The funds did not respond to interview requests. Inditex and H&M declined to comment for this story.

Although Shein is gaining more followers, it has limited visibility compared with the likes of Zara and H&M. It has no domestic presence in China, where online shoppers go to Alibaba's Taobao and to Pinduoduo for clothes at bargain prices. Meanwhile, some consumers say the quality of items can be variable and delivery times erratic.

Unlike Zara and H&M, which have detailed background on the sourcing of their clothing and the working conditions of employees on their websites and annual reports, Shein gives no details about the manufacture of its products.

Inditex revolutionised the fashion industry in the 1990s by responding quickly to trends and speeding designs to stores using factories close to its headquarters in Spain.

Shein also works with hundreds of factories in close proximity to its Nanjing HQ, according to a China-based industry source with knowledge of the company's business practices.

The Chinese company aims to get designs ready for shipping in three days, according to the source who wanted to remain anonymous because of sensitive business practices.

Three days is a significant compression of Inditex's lead time, from drawing board to store, which is around 3 weeks according to the Spanish company.

Nonetheless Shein faces a tough task to make inroads in a crowded online market where both Asos and Zalando have reported surges in sales this year. One way Shein is looking to grab attention is though a network of influencers and "brand ambassadors".

"I have to promote the outfits on my social-media platforms," says Laura Illanes, a 22-year-old student at the University of South Carolina Upstate.

"They provide me with a discount code of 15% off - I need to share that with my followers," said Illanes, a college athlete with 36,000 Instagram followers, who gets six free Shein items per month in return for promoting the clothes on her account.

Inditex and H&M have also reported big jumps in online sales, but that's a minority proportion of their overall sales. Shares in both have fallen over 20% since early February, which analysts have partly attributed to their big networks of stores.

Hong Kong-based fund Anatole Investment Management presented the idea of a short sell on Inditex due to the rise of the "new breed" of online players from China at the Sohn investor conference streamed from Hong Kong on Sept. 9.

"Zara is a legacy player which is going to be crushed by fast fashion 2.0," Anatole Chief Investment Officer George Yang, who declined to be interviewed, told attendees.

Indian gold dealers stock up, hope to usher in festive glitter

REUTERS, *Bengaluru/Mumbai*

Physical gold dealers in India continued to stock up this week ahead of an expected festival sales bump, while the Golden Week in top consumer China did little to revive bullion demand.

Gold is considered an intrinsic part of Indian festivals such as Dussehra in late October, and Diwali and Dhanteras in November.

Demand from dealers has been improving slowly as they expect a revival in retail purchases during the festival season, said Mukesh Kothari, director at Mumbai gold dealer RiddiSiddhi Bullions.

Dealers charged an $1 an ounce premium over official domestic prices, inclusive of 12.5% import and 3% sales taxes, down from last week's premium of $2.

On Friday, local gold futures traded around 50,750 rupees per 10 grams.

Limited supply due to September's sharp drop in imports also allowed dealers to charge a premium, said a Mumbai-based dealer with a bullion importing bank.

Discounts in China eased to $30-$35 an ounce, their lowest since July, versus global benchmark spot gold rates as a week-long holiday saw some retail buying, although demand was still subdued.

"They have sufficient gold to circulate and that's why there is no rush for the time being," said Bernard Sin, regional director for Greater China at MKS, adding that demand could pick-up in the run-up to the Chinese new year.

Activity in Hong Kong was also muted, with gold sold between a $0.50 discount to a $1 premium over global rates.

Increased costs from mints and refineries to get gold into Hong Kong have caused premiums to persist, said Keanan Brackenridge, product manager at LPM Group Ltd.

In Singapore, premiums were little changed at $0.80-$1.30 an ounce.

"We have some clients buying on the dip but more are selling because prices came up above $1,900," said Brian Lan, managing director at dealer GoldSilver Central.

REUTERS/FILE

A salesman shows gold necklaces to a customer at a jewellery showroom, after authorities eased lockdown restrictions that were imposed to slow the spread of the coronavirus disease in Kolkata, India.

Chinese banking regulator fines China Construction Bank $1m for violations

REUTERS, *Shanghai*

The Chinese banking regulator said on Saturday it had fined a branch of the China Construction Bank (CCB), the country's second-largest lender by assets, 7,313,511 yuan ($1.09 million) for rule violations.

The southern Shenzhen branch of the China Banking and Insurance Regulatory Commission (CBIRC) said in a statement it had also confiscated over 1 million yuan of ill-gotten gains.

Among other things, the Shenzhen branch of CCB had hidden risks, used loans for purposes than otherwise stated and money allocated for small- and medium-sized enterprise loans were used for other purposes, it said.

Four fines were handed down to individuals in the Shenzhen branch, who were found to have breached rules in connection with real estate loans and bills, it said.

US retail sales blow expectations in Sep

REUTERS, *Washington*

US retail sales accelerated in September, rounding out a strong quarter of economic activity, but the recovery from the Covid-19 recession is at a crossroads as government money runs out and companies continue to layoff workers.

New coronavirus cases are also surging across the country, which could lead to restrictions on businesses like restaurants, gyms and bars, and undercut consumer spending. The economy is already shifting into lower gear. Other data on Friday showed an unexpected drop in output at factories last month.

"Although sales growth is strong, it will slow through the rest of this year and into next year," said Gus Faucher, chief economist at PNC Financial in Pittsburgh, Pennsylvania. "The slowing will be even larger if Congress does not pass another stimulus bill. Unemployment remains pervasive throughout the U.S. economy." Retail sales jumped 1.9 per cent last month as consumers bought motor vehicles and clothing, dined out and splashed out on hobbies. That followed an unrevised 0.6 per cent increase in August.

Economists polled by Reuters had forecast retail sales would rise 0.7 per cent in September. Some said September's surge was likely exaggerated by difficulties stripping seasonal fluctuations from the data after the shock caused by COVID-19. Unadjusted retail sales fell 2.8 per cent after dropping 1.0 per cent in August.

REUTERS/FILE

A man wears a mask as he walks past mannequins wearing masks in a retail shopping area during the outbreak of the coronavirus disease in Encinitas, California, US.

Retail sales have bounced back above their February level, with the pandemic boosting demand for goods that complement life at home, including furniture and electronics. An aversion to public transportation has boosted motor vehicle purchases. Retail sales rose 5.4 per cent on a year-on-year basis in September.

They account for the goods component of consumer spending, with services such as healthcare, education, travel and hotel accommodation making up the other portion.

Excluding automobiles, gasoline, building materials and food services, sales increased 1.4 per cent last month after a downwardly revised 0.3 per cent drop in August.

These so-called core retail sales correspond most closely with the consumer spending component of gross domestic product. They were previously estimated to have dipped 0.1 per cent in August.

Economists have attributed the strength in retail sales to fiscal stimulus, especially a weekly subsidy paid to tens of millions of unemployed Americans. September's robust sales reinforced expectations for record consumer spending and economic growth in the third quarter.

Growth estimates for the July-September quarter are as high as a 35.2 per cent annualized rate. That would recoup roughly two-thirds of the output lost because of COVID-19. The economy contracted at a 31.4 per cent pace in the second quarter, the deepest decline since the government started keeping records in 1947.

U.S. stocks bounced from three straight days of losses on the retail sales data and Pfizer's announcement that it could apply for emergency use of its COVID-19 vaccine candidate as early as November. Last month, sales at auto dealerships surged 3.6 per cent. Receipts at restaurants and bars increased 2.1 per cent. Receipts at clothing stores jumped 11.0 per cent.

"Some of the gain may have reflected increased demand from back to school sales, but with most schools remote learning the reported strength seems dramatic and likely unsustainable," said Kevin Cummins, chief U.S. economist at NatWest Markets in Stamford, Connecticut.

Even with September's gains, sales at bars, restaurants and clothing stores remain well below their pre-pandemic levels.

Purchases at electronics and appliance stores fell 1.6 per cent. Online and mail-order retail sales rose 0.5 per cent. Furniture store sales gained 0.5 per cent. Sales at sporting goods, hobby, musical instrument and book stores rebounded 5.7 per cent. These categories notched big year-on-year increases in September, which economists said showed the uneven impact of the recession.

"It's further evidence of how many top earners have managed to dodge the pandemic by working from home, while most lower- paid workers have been forced to choose between jobs putting them at risk, when they can find them, and unemployment," said Chris Low, chief economist at FHN Financial in New York.

The White House and Congress are struggling to reach a deal on another rescue package for businesses and the unemployed. The government reported on Thursday that new claims for unemployment benefits increased to a two-month high last week.

Last month's jump in retail sales set consumer spending on a higher growth path heading into the fourth quarter, which will likely ensure that the economy continues to expand, though at a moderate pace. Growth estimates for the fourth quarter have been slashed to as low as a 3 per cent rate from above a 10 per cent pace.

Amid tensions with China, India warns Amazon, Flipkart over country of origin rule

REUTERS, *Mumbai*

The Indian government has warned Amazon.com's local unit and Walmart's Flipkart that sellers on their platforms are not complying with a rule requiring that a product's country of origin be specified.

A push for strict enforcement of the rule has come amid tensions between India and China following a border skirmish which began in June, and is part of India's efforts to cut down on Chinese-made imports.

The two e-commerce firms have been given 15 days to explain the lapses or action will be taken against them, according to an Oct. 16 letter addressed to the companies from the Ministry of Consumer Affairs and seen by Reuters.

It did not specify what action may be taken, referring only to a legal act that has provisions for fines.

Representatives for Amazon and Flipkart did not immediately respond to Reuters requests seeking comment outside regular business hours.

REUTERS/FILE

An employee of Amazon walks through a turnstile gate inside an Amazon Fulfillment Centre on the outskirts of Bengaluru, India.

Oil prices edge lower on Covid-19 resurgence, fears of more supply

REUTERS, *New York*

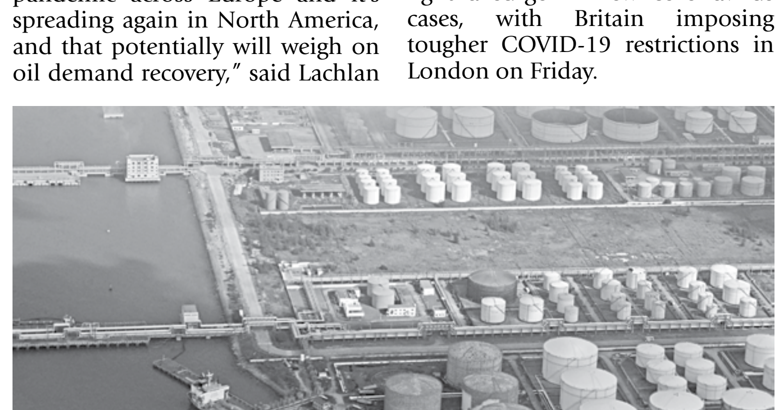
Oil prices edged lower on Friday, dragged down by concerns that a spike in Covid-19 cases in the United States and Europe will continue to drag on demand in two of the world's biggest fuel-consuming regions.

OPEC+, a grouping of the Organization of the Petroleum Exporting Countries and allied producers including Russia, fear a prolonged second wave of the pandemic and a jump in Libyan output could push the oil market into surplus next year, according to a confidential document seen by Reuters, a much gloomier outlook than just a month ago.

Brent crude futures LCOc1 fell 23 cents to settle at $42.93 a barrel, and U.S. West Texas Intermediate (WTI) crude futures dropped 8 cents to settle at $40.88 a barrel. Brent rose 0.2% for the week, while WTI was on track to gain 0.7%.

"The reality is that we're now seeing a pretty active spread of the pandemic across Europe and it's spreading again in North America, and that potentially will weigh on oil demand recovery," said Lachlan Shaw, head of commodity research at the National Bank of Australia.

Some European countries were reviving curfews and lockdowns to fight a surge in new coronavirus cases, with Britain imposing tougher COVID-19 restrictions in London on Friday.



REUTERS/FILE

Oil and gas tanks are seen at an oil warehouse at a port in Zhuhai, China.

A panel of officials from OPEC+, called the Joint Technical Committee, discussed their worst-case scenario during a virtual monthly meeting on Thursday. That involved commercial inventories from major world consumers remaining higher than the five-year average in 2021, rather than falling below that mark.

The group's Joint Ministerial Monitoring Committee (JMMC), will consider the outlook when it meets on Monday. The JMMC can make a policy recommendation.

"We expect on Monday's meeting some strong words on compensating for (members') undercompliance," said Paola Rodriguez-Masiu, Rystad Energy's senior oil markets analyst. "What everybody is wondering is if there will be any action against the laggards this time or if the bashing will stay at a verbal level."

STANDARD CHARTERED

A number of poor people collect fruits and vegetables weighing 5kg free of cost from a makeshift market set up by an initiative of Standard Chartered Bangladesh and Obhizatrik Foundation yesterday. The charitable move would take the food packages to 40,000 families through a number of bazaars in Dhaka and Chattogram. The produce is being directly sourced from 200 rural smallholder farms.

US budget deficit hits $3.1tn as pandemic spending surges

AFP, *Washington*

The US budget deficit surged 218 percent to a record $3.1 trillion in the fiscal year ended September 30 due to a massive increase in spending to help the economy weather the coronavirus pandemic, the government announced Friday.

That was more than double the previous record deficit of $1.4 trillion hit in 2009 during the global financial crisis.

As spending ramped up and tax receipts fell due to the widespread business shutdowns, the Treasury Department said total government US debt soared to $26.9 trillion -- larger than the size of the economy which shrunk in the second quarter to less than $20 trillion.

The budget gap under President Donald Trump already had been on the rise prior to the pandemic and hit $1 trillion this year for the first time since 2012 following the massive tax cut passed in late 2017.

Administration officials tried to put a positive spin on the figures, crediting Trump with acting quickly to deploy resources to ease the economic damage for American businesses and families.

"Under President Trump's leadership, the economy has begun an incredible comeback," Treasury Secretary Steven Mnuchin and White House budget chief Russell Vought said in a joint statement.

"The Administration remains fully committed to supporting American workers, families, and businesses and to ensuring that our robust economic rebound continues," Mnuchin added.

Trump's team for weeks has been locked in talks with Democratic leaders in Congress on a new rescue package to follow up on nearly $3 trillion in resources deployed in the early days of the pandemic, including the $2.2 trillion CARES Act.

Officials now acknowledge that it will be difficult to reach a deal before the November 3 presidential election, or to get the funds out even if they manage to agree.

Federal government outlays increased 47 percent in the fiscal year while outlays declined 1.0 percent. However, the fiscal picture has been helped by borrowing rates near zero, dropping interest payments by 9.0 percent or $50 billion.

Moody's downgrades UK as Covid-19 and Brexit hit debt outlook

REUTERS

Ratings agency Moody's cut the United Kingdom's debt rating on Friday over the huge economic hit from the coronavirus crisis, Brexit and the lack of clear budget plans from Prime Minister Boris Johnson's government.

Moody's lowered the rating to "Aa3" from "Aa2," putting Britain on the same level as Belgium and the Czech Republic.

The world's sixth-biggest economy shrank by the most among Group of Seven nations in the second quarter and its public debt has topped 2 billion pounds ($2.58 billion), surpassing 100% of gross domestic product.

Moody's said Britain's growth had been "meaningfully weaker than expected and is likely to remain so in the future." Britain faced a sharper peak-to-trough contraction than any other Group of 20 economy due to the severity of its COVID-19 outbreak, the size of its services sector, hammered by social-distancing rules, and the risk of further outbreaks, it said.

The downgrade was another blow for Johnson who is under fire from opposition parties and lawmakers in his Conservative Party for his handling of the pandemic, which has killed more people in Britain than anywhere in Europe.

Moody's said Britain's failure to reach a broad trade deal with the EU would compound the damage caused by COVID-19.

Johnson said earlier on Friday there was currently no point in continuing the trade negotiations.

"Even if there is a trade deal between the UK and EU by the end of 2020, it will likely be narrow in scope," Moody's said.

It also said Britain has lost budgetary discipline and its high debt levels were unlikely to come down quickly.

"The UK effectively has no fiscal policy anchor," it said.

Spending cuts were likely to be politically difficult and tax increases could choke off the economic recovery. Britain's government responded by saying it had no choice other than to ramp up spending to soften the pandemic's impact.

"Over time and as the economy recovers, the government will take the necessary steps to ensure the long-term health of the public finances," a finance ministry spokesman said.

Moody's revised the outlook on the country's sovereign debt to "stable" from "negative." The downgrade puts the Moody's rating on the same level as Fitch's while Standard & Poor's rates the country one notch higher.

REUTERS

Shoppers cross the road at Oxford Circus, in the centre of London's retail shopping area, amid the spread of the coronavirus disease in London, Britain.

China's economy to pick up pace in Q3

AFP, *Beijing*

China's economic recovery gathered pace in the third quarter, according to an AFP poll of analysts, with consumer spending gradually picking up as coronavirus fears eased, helping a wider rebound spurred by investment and exports.

Growth in July-September is expected to come in at 5.2 percent when official data is released Monday, bringing the world's second-largest economy closer to last year's 6.1 percent annual expansion, even as countries around the world struggle to contain the deadly pandemic.

With the virus now largely under control in China, most social distancing measures have been removed -- and consumers have streamed back into restaurants and malls, hopped on flights and trains for domestic holidays and packed tourist districts.

AFP's survey, involving analysts from 13 institutions, also forecast full-year growth of 2.3 percent, slightly above the International Monetary Fund's forecast, which tagged China as the only major economy likely to expand this year.

"China's stimulus has differed from that of much of the region with its focus on the industrial sector and construction, rather than for small and medium-sized enterprises or direct payments to the unemployed," said Moody's Analytics economist Xu Xiaochun.

"Thus, China's rapid recovery is led by goods-producing industries and export shipments. "Nathan Chow of DBS Bank added that the biggest boost came from investments, especially those driven by the government, while overseas demand has also improved.

While consumer spending has lagged behind, it is catching up "at least among middle- and upper-income households", and retail sales are nearing their levels of late 2019, Xu said.

But economists maintained that growth will be modest and driven mostly by production rather than services, adding that lingering uncertainty has led to an increase in savings. HSBC analysts added in a recent report that China's recovery has been "highly uneven", stressing a rebound in the private sector will be "essential for a sustainable economic recovery".

Economists warned, however, that a sharp rebound is unlikely for Chinese consumer demand given the anxiety surrounding the coronavirus, while global tensions are also weighing on the external market.

Tommy Wu, lead economist at Oxford Economics, said analysts are still "waiting for signs of a more significant improvement in employment, which will underpin consumption".

Consumers will remain wary about buying large amounts of goods and services during economic uncertainty, while "the external market is not likely to help the Chinese economy either", said Raphie Hayat, senior economist at Rabobank. "China's tensions with several countries are increasing, while some of its trading partners are experiencing second wave outbreaks of the virus.

"This could boost certain exports such as protective equipment and electronics but the effect will "likely be more than offset by generally weaker external demand", he added.

Wu said the pace of recovery is likely to slow in the last three months of the year, as credit to real estate and infrastructure investment decelerates.

AFP

A couple wearing face masks as a preventive measure against the Covid-19 walk on a street as the woman takes pictures with her smartphone in Beijing.

India's car, motorbike sales go up as dealerships stock up ahead of festive season

REUTERS, *New Delhi*

Passenger vehicle and motorbike sales surged in September as companies stocked up dealerships in anticipation of a surge in demand for personal transport during the festival period starting later this month.

Passenger vehicle wholesale sales in September surged 26 per cent from a year ago while sales of motorbikes and scooters to dealers rose 12 per cent, after months of decline due to the coronavirus pandemic, according to data released on Friday by the Society of Indian Automobile Manufacturers (SIAM), a trade body.

However, retail sales of passenger vehicle for September grew just 10 per cent from a year ago while motorbike sales declined about 12 per cent over the same period last year, the Federation of Automobile Dealers Association of India said last week.

Companies typically stock up dealerships ahead of major festivals, such as Diwali in November, during which Indians often make large purchases.

"There is good festive demand right now. To judge whether it is real or sustainable we will have to wait to see the demand in January 2021," said Kenichi Ayukawa, president, SIAM and managing director of Maruti Suzuki, India's top-selling carmaker.

India's auto sector was already facing poor demand last year when Prime Minister Narendra Modi's government imposed a nationwide lockdown in March to curb the virus' spread, bringing businesses to a standstill.

The government is now pushing ahead with a full opening to try to boost the economy ahead of the usually high-spending festival season.

Demand for personal transport, which is seen as a safer option amid the pandemic as compared with taking public or shared transport, has propped up sales of small cars and motorbikes in recent weeks.

But even as sales for September surged, wholesales for the first six months of the current fiscal year are down 34 per cent from a year ago, SIAM data showed.

Insurance stocks: Sponsors selling, investors still on a buying spree

FROM PAGE B1

In 2012, the Insurance Development and Regulatory Authority (IDRA) issued a circular, barring insurers from paying more than 15 per cent of the premium as commission.

However, most insurers disregarded the directive, prompting the regulator to issue a notice in late 2019, urging compliance for the sake of the sector's well-being.

Many companies offered as high as 60 per cent of the premium as commission to secure business which has hurt the industry, especially insurers with good performance records, industry insiders said.

However, in a positive development, insurance companies agreed in a meeting of the Bangladesh Insurance Association last year to follow the order in a bid to keep the sector alive.

The lower commission will increase insurers' profits, so investors are buying the stocks, the broker said, adding that the price has risen to an overvalued level which was not supportive with the lower commission logic.

A top official of a listed insurer, preferring anonymity, said that sponsors sold their shares conducting due diligence.

When they see a huge profit in shares, they go for sales and this is normal, he said, adding that the sponsors believe they can log higher profits by selling shares rather than retaining those despite the commission issue.

However, there were some sponsors of the listed insurers who bought shares from the general investors to meet the BSEC's directive.

The BSEC in an earlier directive said the directors of the listed companies would have to keep at least 2 per cent of their own company's shares.

Potential of e-waste recycling remains untapped

FROM PAGE B1

Once the rules are in place, consumers will not be allowed to throw away their obsolete electronic devices anywhere they like. Instead, they will have to deposit their e-waste at stores or collection centres.

Similarly, device manufacturers and assemblers will have to collect e-waste either for reuse or destruction during production and ensure delivery of those e-wastes to the registered repairers, dismantlers and recyclers, according to the draft rules on e-waste management.

Mostofa Akbar, a professor of computer science and engineering at Buet, said a policy for e-waste management should be quickly framed.

Global cotton consumption starts rising again after Covid-19 shutdown

FROM PAGE B4

DS: Do you think cotton consumption in Bangladesh could increase in the near future? If yes, why? And how much cotton do you think our local mills might consume in the next five years?

Atherley: It depends on the volume of work orders for garments items that will be placed by international brands and retailers. It is not possible to estimate the consumption of cotton for 5 years in Bangladesh.

DS: Does your organisation have any plans to open an office in Bangladesh? How has the import of US cotton increased in the country over the last five years?

Atherley: Cotton Council International has had an international representative in Bangladesh for many years. Bangladesh is an emerging market and continues to become a larger importer of US cotton.

US cotton has more than quadrupled its share of the imported cotton market in Bangladesh, going from about 3.5 per cent in 2015 to 15 per cent in 2019.

COTTON USA, a trademark of Cotton Council International, holds various events in Bangladesh, such as the recent virtual Cotton Day, that has helped the local industry get updates on US cotton and learn how it can help boost their businesses.

DS: Why do you think the import of US cotton is growing in Bangladesh?

Atherley: Mills and manufacturers in the country trust US cotton because of its quality, sustainability, transparency, innovation and premium value. Every bale is tested so that quality is guaranteed and our cotton provides a better spinning consistency.

Ongoing COTTON USA technical servicing in Bangladesh to help mills understand how to fully utilise US cotton has led to a greater understanding and appreciation of the product's net value.

DS: Do you think Bangladesh's garment export will increase significantly despite the current pandemic? What is your forecast about it?

Atherley: It is difficult to make a prediction, but it will depend on how garment buyers shift their sourcing from China and to other countries. It appears that garment buyers are shifting to India and Pakistan in addition to Vietnam and Bangladesh.

DS: Please describe the issue of double fumigation of US cotton in Bangladesh.

Atherley: There is an ongoing discussion between both governments, and we are hopeful that the issue will be resolved.

DS: Do you think Bangladesh's GSP status with the US could be reinstated?

Atherley: This matter is between the governments.

DS: What is the value of US cotton that you have exported to Bangladesh per year in the last 5 years?

Atherley: Cotton exports to Bangladesh have been in the average range of about $500 million per year for the last five years.

Global cotton consumption starts rising again after Covid-19 shutdown

Says Bruce Atherley, executive director of Cotton Council International

The ongoing coronavirus pandemic has severely disrupted global supply chains and the cotton sector is no exception. Bangladesh's primary textile industry is almost completely dependent on imported cotton as local growers can meet less than 3 per cent of the country's annual consumption.

For details on how the Covid-19 fallout has affected cotton trade, The Daily Star's senior staff reporter ***Refayet Ullah Mirdha*** *took an interview of Bruce Atherley, executive director of Cotton Council International, a non-profit trade association that promotes US cotton products around the world. Below are excerpts of the online conversation.*

Bruce Atherley

> *Despite the widespread availability of clothing and textile products through online shopping platforms, the uncertainty surrounding the coronavirus pandemic forced many consumers to limit their spending on non-essential items*

The Daily Star (DS): What is the current state of the global cotton trade market amid the Covid-19 outbreak?

Bruce Atherley: The Covid-19 pandemic has caused unprecedented disruptions to the global supply chain for cotton and textile industries and subsequently the US markets. The collapse in demand for cotton has been felt across the US, from textile manufacturers to cotton growers and all segments in between.

Besides, due to the sharp drop in demand and resulting price pressure, the US cotton industry has faced many adversities in its efforts to contain the virus. Retail outlets were shuttered, billions of dollars of orders were cancelled and manufacturing facilities in key markets for yarn and other fabrics were closed down as the country implemented a full lockdown.

Meanwhile, the merchandising and distribution channels are facing increased costs for storage, bank interest, insurance and other carrying costs associated with delays in commodity merchandising and consumption.

Despite the widespread availability of clothing and textile products through online shopping platforms, the uncertainty surrounding the coronavirus pandemic forced many consumers to limit their spending on non-essential items.

Moreover, the reduced sales and store closures led to massive layoffs in the US apparel/textile retail industry.

DS: Do you think global cotton consumption will decline due to fall in sales of clothing items around the world?

Atherley: Prior to the Covid-19 outbreak, it was estimated that all the mills worldwide collectively produced 121 million bales of yarn for the 2019 crop year.

The World Agricultural Supply and Demand Estimates, a comprehensive monthly report published by the US Department of Agriculture (USDA) on the supply and demand for major crops and livestock, has estimated that the mills would produce 102 million bales of yarn for 2019, about 19 million bales lower than the pre-outbreak estimation.

DS: How is man-made fibre eating up global cotton trade and what is the current ratio of cotton fibre and man-made fibre (MMF)?

Atherley: The 70/30 split between MMF and cotton continues. However, consumer attitudes remain more positive toward cotton and other natural fibres as opposed to MMF, particularly in terms of sustainability, comfort and quality.

Innovations in cotton also can give it functional performance benefits that have been attributed to MMF in the past, especially with active wear.

DS: Is China still a major producer, trader and consumer of cotton globally? If yes, why?

Atherley: In the 2019-20 marketing year, China accounted for just over 22 per cent of total world cotton production. China exports only a small amount of cotton lint, 0.5 per cent of its production. Most of the remaining exports are re-exports of foreign cotton from consignment warehouses.

Besides, China is the world's largest importer of cotton. This provides China with a supply of cotton normally greater than one-third of world use and nearly 40 per cent larger than India.

DS: What is the global outlook on cotton production and who do you think are the major producers of cotton for this year?

> *In recent years, Vietnam has emerged as the largest international market for US cotton while Bangladesh is an emerging market that continues to grow*

Atherley: The US is the third largest cotton producer after India and China in that order. The top international markets for US cotton are Vietnam, China, Pakistan, Turkey, Bangladesh, Mexico, and Indonesia.

In recent years, Vietnam has emerged as the largest international market for US cotton while Bangladesh is an emerging market that continues to grow. Our local mills are also a big market for the product.

DS: How much of the previously stocked cotton is still available and do you think that merging this old stock with the new harvest will create an oversupply of cotton this year? Also, what is the current cotton consumption trend?

Atherley: Current USDA estimates show that global consumption in 2019-20 and 2020-21 combined will be just under 25 million bales with the 2020-21 coming down 15 per cent from the February outlook projections.

Meanwhile, world production forecast for the same year is virtually unchanged and Covid-19's negative impact on cotton demand was too late in the season to shift planting decisions away from cotton for most major producing countries.

This has pushed the stocks-to-use ratio back into the 90 per cent range, meaning mills will continue to buy on a hand-to-mouth basis while maintaining little buffer stocks.

READ MORE ON B3

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Garment workers are taking a look at the lists of employees who were terminated from the Sidco Group's Ashulia factory in Jamgora, Savar yesterday.

Sidco Group terminates 165 workers from Ashulia garment factory

OUR CORRESPONDENT, *Savar*

The workers of Sidco Group have alleged that the apparel maker terminated 165 employees from its factory at Jamgora in Ashulia as they demonstrated to demand last month's salary.

Yesterday, the factory authorities put up a notice with photographs of the terminated workers in front of the factory gate.

The workers also alleged that the company has not been paying salaries to its 600 workers on time for the last couple of months.

The workers started protesting when the authorities ended the day without paying them on October 11, the deadline for clearing the salaries for September, they told The Daily Star.

Instead of clearing the payments, the company shut down the factory on October 13 and later reopened it as the workers began protesting in front of the factory gate.

But this time the factory authorities came up with a notice with the pictures and names of the terminated workers, one of the workers said.

"The authorities did not give any notice before terminating us," he said.

Despite repeated attempts through phone calls and text messages, this correspondent could not reach Nazrul Islam, assistant general manager of Sidco Group, for comments.

The authorities of Sidco Group illegally terminated the workers as they demanded salary, said Sarowar Hossen, organising secretary of the Bangladesh Textile and Garment Workers League.

The factory also filed a general diary with the local police station to harass the workers, he said.

"We have informed the industrial police as well as the officials of Bangladesh Garment Manufacturers and Exporters Association about the incident."

Contacted Helal Uddin Bhuyan, senior assistant superintendent of police of the Dhaka Industrial Police, said he is aware of the incident and they are looking into the matter.

The police will sit with the factory authorities and the workers to settle the matter today, he said.

Western Marine builds tugboat for Payra port

STAFF CORRESPONDENT, *Ctg*

Western Marine Shipyard, the country's leading shipbuilder, has made a tugboat for Payra Sea Port.

The tugboat, Tiakhali-1, was launched at the Karnaphuli river in Chattogram yesterday. After a sea trial, the port authorities will receive the vessel, said Shahidul Bashar, assistant general manager for commercial of the shipbuilder.

A tugboat is a secondary boat which helps in a ship's mooring or berthing operations by either towing or pushing the vessel towards a port.

The tugboat would help the port located in the southern coastal district of Patuakhali operate its activities through swift handling of inbound and outbound ships in the seaport area.

The tugboat, which was built at a cost of Tk 35 crore, has a capacity of 60-tonne bollard pull power. The tugboat will speed up port activities and help increase port surveillance, Western Marine Shipyard said in a press release.

The company built the tugboat after winning the work order in a tender, Bashar said.

It has already supplied three tugboats to Chittagong Port and exported one to the Gambia. It also delivered two workboats to the Mongla Port and one to the Chittagong Port, he added.

Since its inception in 2000 in Chattogram, the yard has built more than 150 ships for local and international clients and are currently building more than 33 ships.

The vessels include deep-sea fishing trawlers, port utility vessels, tugs, container ships, tankers, bulk carriers, and passenger ships.

Western Marine has so far exported 32 ocean-going vessels to clients in countries such as Germany, Denmark, Finland, Tanzania, New Zealand, Kenya, the UAE, India, Ecuador, Pakistan, the Gambia and Uganda.

It exported two 5,200 dead-weight tonnage capacity cargo ships to India at the beginning of 2000, the press release said.

The shipbuilder employs 3,500 people, including skilled and semi-skilled labourers. More than 500 professionals, including marine experts, mechanical experts, electrical engineers and naval architects are working at the shipyard in the Patiya upazila of Chattogram, according to the company's website.

COLLECTED

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