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.