China, India, Japan hamper Asia oil demand growth

REUTERS, Singapore

As the global oil market frets about a stubborn supply glut, faltering demand growth in key Asian crude importers is further hampering efforts to restore market balance.

A fuel glut in China, a hangover from demonetization in India, and an ageing, declining population in Japan are holding back crude oil demand growth in three of the world's top four oil buyers.

The three countries make up a fifth of 97 million barrels per day (bpd) in global oil consumption, and any hiccups among them will mean lower-than-expected oil demand growth in Asia, helping to undercut the Opec-led effort to support prices.

"We are indeed seeing lower demand from more than a few clients - air, marine, road, industrial ... They are actually consuming less fuel than anticipated," said Michael Corley, managing director of Mercatus Energy Advisors.

In China, vying with the United States as the world's biggest oil importer, imports in May were still at a near record of 9 million bpd, but a looming cut in refinery operations is set to hit demand for crude oil in the third quarter.

In India, which overtook Japan as the world's third-biggest oil importer last year, crude imports fell by more than 4 percent between April and May to around 4.2 million bpd C-INIMP, as after-effects of the country's recent demonetization program hit consumption.

For the first five months of the year, India's imports are about flat to the same period last year, following an annual rise of 7.4 percent last year.

In Japan, Asia's most advanced economy, oil demand has been in structural decline for years due to a declining, ageing population, and the rise of cars with better mileage or that use alternative fuels. Japan in April imported around 3.5 million bpd C-JPIMPTOT, down from a peak of 5.9 million bpd hit in 2005.

Coupled with plentiful supplies, the stuttering demand in Asia has contributed to a 20 percent price fall for Brent crude oil LCOc1 to around $45 per barrel, in what is the biggest slump in a first half of a year since 1997.

In the latest indicator of a supply overhang, traders said that five very large crude carriers (VLCCs) have been chartered in recent days to store unsold oil.

Each VLCC can hold around 2 million barrels of oil, and the five chartered for storage add to around 25 supertankers already sitting in southern Malaysian waters.

In a market condition known as contango, where spot crude oil prices are cheaper than those for future delivery, it is profitable to store oil for a later sales.

Currently, spot Brent is almost $1.50 a barrel cheaper than that for delivery in early 2018.

"If oil prices head lower, floating storage will get more traction," said Ashok Sharma, managing director of ship broker BRS Baxi in Singapore.

The cheap spot price comes despite the effort led by the Organization of the Petroleum Exporting Countries (Opec) to cut production by 1.8 bpd that has been in place since January.

Doubts over Opec's compliance with its own targets and soaring US output have led to scepticism that markets will re-balance soon.

"The slide in oil prices continues ... as markets remain skeptical of Opec's ability to balance supplies," ANZ bank said on Friday.

Women entrepreneurs call for revision of 15pc VAT

STAR BUSINESS REPORT

The uniform 15 percent VAT coming into effect from July 1 would be a source of stress for the lower and middle-income group, said the Women Entrepreneurs Association of Bangladesh.

The rate must be reconsidered taking into account the education and business needs of women entrepreneurs, said WEAB President Nasreen Fatema Awal in a statement yesterday.

The new tax structure in the proposed budget will create challenges for the existing taxpayers, particularly those falling in the middle-income bracket and women who initiated start-ups.

She also called for the withdrawal of the proposed excise duty hike, saying women entrepreneurs will otherwise be discouraged from depositing money in banks.

European equities stumble on poor data

AFP, London

Europe's main stock markets and Wall Street stumbled Friday on disappointing economic data heading into the weekend.

The oil market slipped slightly after initially edging higher and remains on course for its fifth weekly decline, dogged by concerns over a stubborn supply glut.

European stock markets are "on the back foot, with a host of eurozone PMI surveys... providing a somewhat cautious assessment," said analyst Joshua Mahony at trading firm IG.

Shares in London were on course for a fourth straight day of losses a year to the day after Britain shocked its neighbours by voting to leave the European Union, with the FTSE 100 index of leading shares sagging 0.3 percent mid-afternoon.

Sterling strengthened 0.3 percent Friday but Tuesday's close of $1.2661 compared with its day-before-Brexit level of $1.4797 for a 12-month fall of 15 percent.

Eurozone private sector business activity slowed sharply in June but was still running at more than six-year highs, a closely watched survey showed on Friday.

Analysts said that while the downturn in the headline readings was disappointing, the economy continued to put in a strong performance.

Data monitoring company IHS Markit said its June Composite Purchasing Managers Index (PMI) came in at 55.7 points, the lowest reading in five months and down from 56.8 in May.

Any reading above the boom-bust 50 points line indicates the economy is expanding.

"After a string of exceptionally strong figures, the composite PMI for the eurozone has come down to earth in June," said UniCredit economist Edoardo Campanella.

"While the decline in the composite PMI was driven by a slowdown in the services industry, which is often subject to substantial monthly volatility, the manufacturing sector remains in good shape," he cautioned.

The PMI measures companies' willingness to invest in their business and so gives a good idea of how well the underlying economy is performing.

Asian stock markets limped into the weekend, with energy firms still struggling after a bruising few days.

Oil prices slipped marginally at the end of a tumultuous week which saw New York crude collapse to a ten-month low on concerns over a global supply glut and US production overshadow output cuts by both OPEC and Russia.

The week's sharp losses have hurt energy firms and, despite another pick-up in the commodity, they continue to struggle.

Meanwhile, traders are tracking events in Washington where Republican Senators unveiled a revised healthcare bill to unpick Obamacare, which market players hope will be able to pass through Congress.

UK nuclear plant to cost consumers billions more: auditors

AFP, London

A highly-controversial UK government deal for the new Hinkley Point nuclear power plant will cost British energy consumers billions more pounds than forecast, the country's National Audit Office said Friday.

"The Department for Business, Energy and Industrial Strategy's deal for Hinkley Point C has locked consumers into a risky and expensive project with uncertain strategic and economic benefits," the NAO said in a report.

Under the project, UK energy users will have sums added to their bills for a period of 35 years.

The NAO said the combined cost of such payments is set to surge to £30 billion ($38 billion, 34 billion euros).

"Delays have pushed back the nuclear power plant's construction, and the expected cost of top-up payments under the Hinkley Point C's contract... has increased from £6 billion to £30 billion," the report said.

EBL

Ali Reza Iftekhar, managing director of Eastern Bank, and Md Nurul Islam, chairman of Metlife for Bangladesh, Nepal & Myanmar, exchange documents after signing an agreement on a special insurance coverage plan for the bank's payroll banking customers in Dhaka recently. The deal will provide six months' salary to the nominees in case of natural death of a payroll accountholder and 12 months' salary if the death is accidental.

US new home prices hit record in May

AFP, Washington

Sales of new homes in the United States picked up in May, as prices surged to the highest levels on record, the Commerce Department reported Friday.

Coming at the start of the peak home-buying season and after April's sharp decline, the sales rebound suggested demand remained strong in an increasingly tight market.

The numbers followed an industry report this week showing a jump in sales and prices for existing homes, and were sure to fuel worries that homes could soon become unaffordable for many, with prices outstripping inflation and wage gains.

Sales of new single-family homes rose 2.9 percent last month to an annual rate of 610,000, seasonally adjusted, putting the sales pace up 8.9 percent compared to May 2016, according to the report, surpassing analysts' expectations.

The median sales price jumped 11.5 percent, hitting $345,800, an all-time record and the biggest increase in nearly three years.

Mobile handset prices spiral ahead of Eid

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The incremental customs duty will only encourage undisclosed imports and deprive the government of revenue, Haque said. This will ultimately help to destroy the industry, which is worth more than Tk 10,000 crore now, importers said.

This correspondent last week visited at least three popular mobile hubs -- Bashundhara City, Motaleb Plaza and Eastern Plaza -- and found that opportunistic retailers have hiked the prices of handsets, many of which were illegal imports, ahead of Eid. They all used the excuse of customs duty hike to raise the price of handsets -- even though they did not pay the duty in the first place.

The shops were selling all the popular handset brands like Apple, Samsung, HTC, LG, BlackBerry, Sony at a much cheaper price than the official stores of the brands but without any warranty. Md Murad Hossain, proprietor of Mobile House, a busy handset trader at Bashundhara City, said most of the handsets did not have clearance from the telecom regulator or customs.

Jamal Uddin, an authorised dealer of Symphony at Bashundhara City, said most of the expensive handsets came through illegal channel as international brands like Apple, HTC or BlackBerry do not have a distribution network in Bangladesh.

Some shopkeepers, however, said they bought handsets from importers who brought the handsets the legal way.

Foreign currency reserves hit $33b

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The current account deficit reached $1.8x billion in the first ten months for sliding remittance inflows and sluggish exports. It was $3.53 billion in the surplus a year earlier, according to the central bank's balance of payments data.

The last time the current account was in the deficit, by $447 million, was way back in 2011-12.

Remittance has been a major source of foreign currency for Bangladesh in the last 10 to 12 years.

However, Bangladesh Bank predicts that at the end of the fiscal year the current account deficit will come down to within $600 million as remittance inflows and exports rise.

EU promises tough line on US, China while pushing for free trade

AFP, Brussels

German Chancellor Angela Merkel warned US President Donald Trump on Friday that Europe would react in kind if the United States did not play fair in trade, while EU leaders also agreed to consider screening investments by state-owned Chinese firms.

The 28 EU leaders signed up to a document saying they and the European Commission should look into ways to increase reciprocity in government procurement and investment.

"Reciprocity is the right way. If we have for example access to public contracts in the United States, then we can say 'yes' to access to public contracts in Europe," Merkel said, but if full access was denied then Europe would "need an answer".

The leaders called on the Commission to analyse foreign investments in strategic sectors, adding they would return to the issue at a future meeting.

The written conclusions to the European Union summit that ended on Friday made no mention of the bloc's two largest trading partners, the United States or China, but both were in the background of its "free and fair" trade push.

The 28-nation union tried for three years to forge a trade alliance with the United States, but now sees itself as an open markets counterweight to a country whose President Donald Trump is looking at restricting steel and aluminium imports.

Beijing is also in the sights of the "protection agenda" of new French President Emmanuel Macron, described as an embrace of free trade, but with limits on foreign takeovers in areas such as energy, banking and technology, where China seeks Europe's know-how.

An EU-China summit earlier this month, designed to show the two as allies in climate change after the U.S. withdrawal from the Paris accord, was overshadowed by disagreements over trade and over-production of steel. "Fair competition is better than the law of the jungle," Macron told a news conference alongside German Chancellor Angela Merkel.

France, Germany and Italy have backed the idea of allowing the EU to block Chinese investments, partly because European companies are denied similar access in China.

More pro-trade countries such as Sweden have said this is a step down the path of protectionism, while smaller eastern and southern European economies that are dependent on Chinese investment have rejected steps against Beijing.

New Irish Prime Minister Leo Varadkar said it made sense to screen foreign investments to ensure that public infrastructure or defence firms did not to fall into foreign state-owned hands.

"The key thing we wanted to avoid was any effort to use this proposal as a Trojan horse for protectionism," he said.

Trade, agreed the EU leaders, created growth and jobs, encouraging progress in trade negotiations with countries in the Americas and Asia.

"I think that a time when protectionism is strongly on agendas, the European Union's commitment to a free and rule-based trading system is very important," Merkel said.

The most advanced talks are with Japan, with the EU's chief negotiator in Tokyo seeking a breakthrough that would allow a provisional deal to be signed in early July. The EU wants Japan to scrap tariffs on cheese and wine, while Tokyo is seeking greater access for cars and car parts.

Exporters aim $1b from Japan despite dip

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Furthermore, the Japanese government adopted the China Plus One policy in 2008, which aims to reduce overdependence on China for goods like apparels, electronic gadgets and home appliances.

"Overall, the Japanese consumers are quality conscious. They tested Bangladeshi goods for years and have now started coming to Bangladesh," said Tareq Rafi Bhuiyan, secretary general of Japan Bangladesh Chamber of Commerce and Industry.

Apart from apparel items, Bangladesh's leather, jute and allied items are performing strongly in the Far East Asian country, said Bhuiyan.

However, they are a bit concerned over security as the Japanese government raised an alert following the attack in Dhaka's diplomatic zone on July 1 last year when nine Italians, seven Japanese, three Bangladeshis and an Indian were killed. "Japan is a very promising market for us. We are expecting more export earnings," said Bhuiyan.

He said Bangladesh has already selected a place at Narayanganj's Araihazar to set up a separate special economic zone for Japanese investors.

BTRC looking for officials to run satellite company

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BTRC has already applied for three more orbital slots from International Telecommunication Union of the United Nations.

In November 2015, BTRC signed a deal with French aerospace manufacturer Thales Alenia Space to design, build and launch Bangabandhu-1 for Tk 2,967 crore.

Local representative of Thales have constructed two ground handling stations at Gazipur and Rangamati where sophisticated equipment will be installed within a short time.

AUGERE

Faisal Hyder, chief executive officer of Augere Bangladesh, which provides wireless broadband internet services under the brand name Qubee, and Mainul Huda Tushar, chief financial officer, attend a media briefing in Dhaka recently to announce "Better Business Internet" for corporate customers.

Exporters count losses for airport inefficiency

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Since then, Bangladesh has failed to improve the airport situation -- and the European Union came up with its own ban recently. The EU has placed an embargo on direct cargo flights from Dhaka to all 28 of its member nations.

As a result, any cargo flight from Dhaka needs to be re-screened at a third country, preferably the UAE, Turkey, Thailand and Qatar.

This has increased the cost of business and lengthened the lead time more for garment manufacturers, who are jostling for more work orders to hit $50 billion in exports by 2021.

"Last week a group of foreign buyers met me and complained about the inefficiency of the airport. We want immediate improvement of Hazrat Shahjalal International Airport and the Chittagong port," Rahman said.

Regarding the current situation of the garment business, he said the average export growth of garment was 13 percent over the last 10 years, but it has crashed to lower than 2.50 percent in the first 11 months of the fiscal year due to a silent recession in Europe.

Garment exporters earned $23.13 billion in the July-April period of fiscal 2016-17, down 2.21 percent year-on-year, according to data from the Export Promotion Bureau.

"The export earnings will be more dismal in the next few months."

The BGMEA chief claimed that all the factory owners have already paid the workers. The workers started to leave for their villages from yesterday to celebrate Eid-ul-Fitr.

Only 35 garment factories were struggling to clear its payroll as they are going through financial hardship. "But in the end they were bound to pay the workers timely."

He said the workers were demanding salaries for the entire month of June, but the owners managed to pay them for 15-20 days.

A total of 3,100 factories under the BGMEA and the Bangladesh Knitwear Manufacturers and Exporters Association have paid the workers on time, Rahman added.