

# British inflation steadies as Brexit impact fades

AFP, London

Britain's annual inflation rate steadied in July, with an expected rise failing to materialise as the pound recovers from a Brexit-fuelled slump, official data showed Tuesday.

The Consumer Prices Index (CPI) stood at 2.6 percent last month, the same level as June, the Office for National Statistics said in a statement.

The ONS added that lower motor fuel costs offset rising prices for clothing, food and household goods.

Analysts' consensus forecast had been for an increase to 2.7 percent.

"The expected pick-up didn't happen," said Neil Wilson, analyst at trading firm ETX Capital.

"The sterling exchange rate has stabilised, meaning far less pass-through from the weaker pound on the inflation rate. We're even getting to the stage in the year where the pound will be actually stronger than it was 12 months before, especially against the US dollar," Wilson said.

The CPI measure had surged in May to a four-year peak at 2.9 percent, as the Brexit-hit pound raised import costs.



A woman shops in a supermarket in London.

"It now looks quite possible inflation has peaked, and will fall back further in coming months," noted Hargreaves Lansdown economist Ben Brettell.

"All this is good news for the consumer, as it helps alleviate

the continuing squeeze on household finances, though pay is still shrinking in real terms for now."

Wilson added that the data "cement the belief that a rate hike this year now looks highly

unlikely" from the Bank of England.

The ONS will on Wednesday publish its latest unemployment data, which are widely expected to show that wage growth has failed to keep pace with inflation.

# US sanctions hit Russian hopes of a 'Trump bump' for investment

REUTERS, Moscow

New US sanctions on Moscow have forced Russian business chiefs to accept that Donald Trump's rise to power is not about to produce a "Trump Bump" in foreign investment.

After Trump became US president, some investors said they would be prepared to contemplate new deals with Russian firms if they saw signs that US-Russian ties were improving and US restrictions on business with Russia were being relaxed.

But the new sanctions, signed onto law by Trump on Aug. 2, add new measures and codify six orders signed by President Barack Obama, making them harder for Trump to revoke. For the business community in Moscow, the message is clear -- there is no immediate prospect of Washington softening its stance towards Moscow.

"Russia faces the codification of sanctions which suggests they will be hellishly difficult to take off and are likely to remain in place for the very long term," said Tim Ash, a strategist at BlueBay asset management in London.

"The mere fact that the US and Western governments ... saw fit to levy sanctions on Russia sends at the least an amber light to Western business -- be careful in your dealings with Russia."

The United States initially imposed financial and travel restrictions on Russia in 2014, after Russia annexed the Crimea region from Ukraine following the fall of a pro-Moscow president in Kiev.

The latest measures allow Congress to block any effort by the president to ease or lift the existing sanctions, tightens some of those sanctions, and imposes new restric-

tions in some sectors.

Executives in Russian banks and energy companies, the main targets of the US sanctions, told Reuters their compliance departments were still going through the fine print of the new law to understand the practical impact. Already clear, though, was the message about the duration of the sanctions.

"This is obviously for a long time," said a source in a major Russian oil company, who spoke on condition of anonymity because he is not authorised to speak to the media.

Moody's rating agency said in a note to clients that the new sanctions on Russia "are likely to further deter investment there."

The sanctions in place since 2014 directly restrict a narrow range of business dealings. Their biggest effect, according to investment bankers and corporate lawyers in Moscow, is that they create the risk of more sanctions being added.

Under that scenario, a deal signed outside the scope of the sanctions could quickly fall under sanctions. If that happened, investors would be likely to lose money and few want to take that risk.

On the other hand, if investors believe the sanctions will not be expanded, they can conclude deals with some confidence, even while existing measures remain in place.

Trump's election triumph last November led many in the Russian business community to believe that the worst of the sanctions was over.

It was at this time that a long-planned deal to privatise a stake in Sovcomflot, a state-owned shipping company with a fleet of modern vessels and lucrative energy sector contracts, was put back on the government's agenda.

# Graft brings People's Leasing to its knees

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When word got out in 2014 of the colossal corruption, big depositors ditched the NBFIL, leaving it in a cash crunch.

Small depositors too have one foot out of the door even though the troubled NBFIL is offering returns as high as 10 percent -- almost double that being offered by banks.

Banks and other NBFIs, which also borrow and lend among themselves, are also showing unwillingness to lend to the troubled company.

The institution is facing a fund shortage of Tk 40 crore to 50 crore every month, said the Bangladesh Bank in a report.

People's net loss widened 33.33 percent to Tk 112 crore in 2016 -- a sharp reversal in fortune as the NBFIL had made a profit of about Tk 20 crore two years earlier.

"The condition of People's has become so bad in recent months that it cannot maintain the regulatory capital requirement," said a senior BB official.

NBFIs must keep 2.5 percent of their total deposits with the central bank and 5 percent of their total liabilities in liquid form with themselves.

People's fell short on both the regulatory requirements by Tk 95.46 crore in May this year and the trend continued into July,

according to the report.

At the end of last year, its deposits stood at Tk 1,600 crore, down from Tk 1,626 crore a year earlier.

Its provisioning shortfall is also on the rise: it stood at Tk 1,568 crore at the end of December last year. Of the provision shortfall, Tk 924 crore was accumulated loss.

The NBFIL is concentrating on paying off previous liabilities by taking on high-cost deposits and as a result, its lending activities have slowed down, said the central bank report.

At the end of last year, People's total loans stood at Tk 1,344 crore, down 11 percent year-on-year. Of the sum, 57.96 percent was defaults.

Until 2014, People's was amongst the "A" category of stocks, giving at least 10 percent dividends. The following year, it was downgraded to the "Z" category, after no dividend was offered.

People's share price remained low for the last one year. On Sunday, the last trading session, its shares traded at Tk 12.80 each.

The Daily Star attempted to contact Sami Huda, managing director of People's, but he did not answer his phone at the time of filing the report.

# Dollar climbs

REUTERS, London

Gains against the yen and a weakened British pound led a broad rise in the US dollar on Tuesday,

helped by an easing of the tensions around North Korea that last week drove capital towards Switzerland and Japan.

The yen and the Swiss franc had both surged as Washington and Pyongyang ramped up military threats following the imposition of new sanctions on the Koreans through the United Nations 10 days ago.

However, a North Korean state media report on Tuesday that leader Kim Jong Un had delayed a decision on firing missiles towards the US Pacific territory of Guam was taken by markets as another sign that the threats were rhetorical.

# Yarn price to fall as supply rises

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Both Ali and Saha stated that the price of yarn would remain stable in the country.

The latest report of the United States Department of Agriculture (USDA) also mentioned of higher crop production, price fall and higher import of cotton by Bangladesh in the cotton year of 2017-18.

The import of cotton in Bangladesh will increase by 100,000 bales from 7.1 million to 7.2 million bales in 2017-18, the USDA data showed.

One bale equals 480 pounds or 218 kg, and the cotton year begins on August 1 and ends on July 31. Bangladesh is the largest importer of cotton in the world after China stopped sourcing the raw material from outside of the country three years ago.

Local growers can meet less than 3 percent of the annual demand, leading to the imports worth over \$3 billion.

The demand for the natural fibre is on the rise in Bangladesh as it is the only country that is still mainly dependent on raw cotton to make yarn and fabric.

Other countries have shifted to manmade fibres like filament, polyesters and viscose. As a result, the global consumption of cotton has been on

the decline.

By the end of 2020, cotton consumption in Bangladesh will hit 7.9 million bales, said local importers. Currently, Bangladesh imports 55 percent of its demand for cotton from India, thanks to favourable prices, geographical proximity, shorter lead time and the quality of the fibre.

The global supply of cotton has been increasing as recently the State Reserve of China announced an extension of sales to September 29 from the previously scheduled August 31, as has been expected by many observers for some time.

If sales through the end of September maintain the rate seen so far, total sales will be about 13.3 million bales, the USDA said.

Due to a more optimistic yield forecast, this month's report featured a large increase to the US production number, with the projection rising by 1.5 million bales, from 19 to 20.5 million.

If realised, this would be the first crop year since 2006-07 that the US produced more than 20 million bales.

Even with a large upward revision to the 2017-18 forecast for US exports from 13.5 to 14.2 million bales, the addition to production caused the estimate for US ending stocks to climb

significantly higher from 5.3 to 5.8 million bales.

The current projection indicates that US stocks at the end of 2017-18 will swell to more than twice the volume in storage at the end of 2016-17 from 2.8 million bales in 2016-17 to 5.8 million bales in 2017-18.

Global production increased by 1.9 million bales, from 115.4 million bales to 117.3 million bales. If realised, this would be the largest world harvest since 2014-15.

The global mill-use forecast was mostly unchanged by about 375,000 bales more, from 117 million bales to 117.4 million bales.

With the upward revision to global production exceeding the upward revision to global mill-use, the projection for global ending stocks increased by 1.4 million bales, from 88.7 to 90.1 million bales.

The lower price of cotton may affect garment prices as well, said Cotton Incorporated in an analysis. The sourcing costs of garment could decrease by 6 percent to 7 percent.

In reality, upward pressure on costs from rising wages and other non-fibre costs like that of dyes and finishes may partially offset decreases in sourcing costs made possible by lower cotton prices, added Cotton Incorporated.

# Uber settles complaint over data protection

AFP, Washington

Uber agreed to implement new data protection measures to settle complaints that it failed to prevent improper snooping on driver and customer information, officials said Tuesday.

The ridesharing giant had faced complaints that it allowed some employees to use the "God view" to monitor customer movements that could allow Uber managers to keep tabs on journalists investigating the ridesharing giant.

A separate complaint said that Uber had also failed to prevent a data breach that allowed hackers to gain access to personal information on some 100,000 drivers.

The Federal Trade Commission announced a settlement on an investigation into allegations that Uber failed to live up to data protection claims. It requires Uber to submit to independent privacy audits every two years for the next 20 years.

# Imports rise 9pc as economy heats up

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In 2016-17, the import of capital machinery soared 37.39 percent from a year earlier to about \$4.85 billion, propelled by power and energy, garment, pharmaceuticals, telecom, food-processing and packaging sectors.

Industrial raw material imports rose 3.52 percent year-on-year to \$16.22 billion.

A senior BB official said the import of intermediate goods such as coal, hard coke, clinker and scrap vessels also increased in addition to raw materials for the garment and textile sectors. "It's a good sign for the economy that the import of machineries and raw materials is on the rise," Ahmed added.

A senior treasury official of Prime Bank echoed the same. Industrial activities are rising and the growth in import indicates that production, development and employment will increase in the days to come, he added.

The import of petroleum products based on the settlement of letters of credit increased 3.3 percent to \$2.52 billion in 2016-17. Food grains -- rice and wheat -- imports grew about 3 percent from a year earlier to \$1.15 billion.

Rice import has increased significantly in recent months, according to Ahmed.

The central bank took a number of steps in the last couple of months of 2016-17 to increase the rice import to boost stock and stabilise the price level of the staple such that inflationary pressures can be contained.

The efforts paid off as food inflation in July declined 0.56 percentage points to 6.95 percent -- the lowest in three months. The decline in the food inflation most likely resulted from a moderation in rice prices, brought about by a surge in imports.

# ICT, telecom divisions at war over fibre optic cable laying

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"So, we have to take it into consideration and come up with a proper solution. If needed, we will go to the higher authority," Ahmad said.

To resolve the dispute between the two divisions, the parliamentary standing committee may approach the prime minister and her ICT affairs adviser.

"This is one of the priority projects of the prime minister," Ahmad added.

# Oil traders expect Asia to import more Venezuelan crude if US sanctions kick in

REUTERS, Singapore/Houston

Asia would be the biggest beneficiary of any potential sanctions by the United States on Venezuela's oil sector, said traders and analysts, as exports from the South American Opec member could be redirected to the region, filling a vacuum left by producer supply cuts.

Washington is considering sanctions on Venezuela's oil industry in response to the ruling Socialist Party's crackdown on officials and parties opposed to the government. An embargo against Venezuelan crude could block imports of about 740,000 barrels per day to the US.

Asian refiners would welcome the so-called heavy, or higher density, crude since production cuts by the Organization of Petroleum Exporting Countries (Opec) have mainly curtailed this type of oil. At the same time, the start-up of new refining capacity is boosting demand.

China and India, the two biggest buyers of Venezuelan crude after the United States, have room to increase imports while other north Asian refiners, with equipment sophisticated enough to handle heavy Venezuelan oil, are seeking opportunities to tap this supply, analysts and traders said.

"Whatever oil that the United States doesn't want will find its way into the global market," a trader with a north Asian refiner said, adding that Venezuelan oil could be a good fit for the company's plant.

A trader with another north Asian refiner said he is also looking for opportunities to import Venezuelan crude if the US imposes sanctions. The sources spoke on the condition of anonymity because they were not authorized to speak to media.

Venezuela's main creditors China and Russia will have first priority to its oil if sanctions are imposed, the sources and analysts said, and the



The corporate logo of the state oil company PDVSA is seen at a gas station in Caracas, Venezuela.

countries would likely make the surplus cargoes available in the spot market.

In the first quarter of 2017, Venezuela delivered to Chinese companies about 485,000 barrels per day (bpd) of crude and oil products to repay loans extended since 2007, according to internal documents from state-run oil company PDVSA reviewed by Reuters.

Russian oil firms Rosneft and Lukoil are also receiving about 250,000 bpd to repay loans, according to the PDVSA reports.

PDVSA has cut sales to US refining unit Citgo Petroleum since May to increase its supply to Rosneft in order to catch up on overdue Russian

deliveries.

Rosneft may ship Venezuelan crude to its newly acquired Essar Oil refinery in India, said one trader based in Asia who deals with Venezuelan crude, adding any surplus could be re-sold by Russian companies to other Asian buyers.

"The realignment of trade flows to push Venezuelan crude to Asia... would entail substantial logistical challenges that would on the margin be bullish (for) sour crude markets, but not necessarily sustainably bullish (for) crude prices," RBC Capital analyst Mike Tran wrote in a note last month.