China's commodity import volume surge tells a different tale to slack value growth

REUTERS, Launceston, Australia

The prevailing market narrative after China's overall November trade data was that the world's second-biggest economy is softening and starting to show the strains of the trade dispute with the United States.

After all, both imports and exports undershot forecasts for the month.

But while there is nothing inherently incorrect in such commentary, one factor that may not be getting as much attention as it should - the lower-than-anticipated growth in imports may be largely related to weaker commodity prices.

China's exports rose 5.4 percent in November from a year earlier, well short of the 10 percent forecast in a Reuters poll. Imports grew a sluggish 3 percent, considerably weaker than the 14.5 percent forecast.

The export weakness was largely put down to the end of front-loading of shipments to the United States ahead of the now postponed higher tariffs of 25 percent on $200 billion of imports from China that had been mooted by President Donald Trump.

The import weakness was largely ascribed to slacker domestic demand. While this may be the situation for manufactured goods and services, it doesn't appear to be the case for commodities.

The problem with simply looking at the trade numbers is that they are expressed in US dollar terms, and not in volume terms.

Case in point - crude oil, where China is the world's biggest importer.

China imported a record 10.43 million barrels per day (bpd), the first time inbound shipments had topped the 10 million bpd mark, and well above the 9.6 million bpd recorded in October.

Working out exactly how much China paid for its oil in November is challenging, but it's likely to be less than it paid in October, despite the extra 15.1 million barrels imported.

Exhibit A: Brent crude hit a four-year high of $86.74 a barrel on Oct. 3 and has since slumped 27 percent to its close of $59.97 on Monday.

This means that at the time Chinese refiners were fixing cargoes for November delivery, prices were declining, encouraging volume growth.

Of course, there are other factors at work: The start-up of new refineries and their associated inventory buying, increased purchases by smaller, independent refiners aiming to use up their import quotas before they expire, and uncertainty over when exactly imports of Iranian oil cleared customs.

But the overall picture isn't one of weakness for China's crude oil imports, which are now up 8.4 percent for the first 11 months of the year, compared to the same period in 2017.

While copper imports were weaker in November compared to the same month a year earlier, they were also up strongly from October, with unwrought copper jumping 8.6 percent on-month and ores and concentrates up 8.9 percent.

Three-month London copper prices peaked in early June and have subsequently dropped about 17 percent. That means Chinese buyers would have been paying substantially less for their imports in November than in prior months.

Iron ore and coal present more interesting reading. Imports of both fell in November from October, despite weaker prices. Iron ore imports slipped 2.4 percent to 86.25 million tonnes, while coal purchases from overseas dropped 17 percent to 19.15 million tonnes.

But the weakness in these imports is almost entirely policy driven. In other words, it's the deliberate choice of Beijing to import less, rather than a sign of domestic economic weakness.

The authorities have made it clear they didn't want coal imports in 2018 to exceed those of 2017 in order to protect the local mining industry.

While they will fail in this endeavour, as the first 11 months of 2018 has seen imports reach the total for 2017, it does mean that November and December coal imports will be well below potential.

Iron ore is struggling along with steel as winter production curbs aimed at lowering air pollution start to have an impact on the market.

Overall, the volume of China's commodity imports, the main component of its overall import bill, offers more insight into the real state of the economy than looking at just the value.

There are solid reasons to be cautious about the outlook for the Chinese economy and the impact from the trade dispute with the United States, and there are also questionmarks over whether the relatively robust commodity imports will sustain.

MEDIAAXIS

Rabeth Khan, CEO of MediaAxis, a marketing communication and media agency, receives an award for paying the highest amount of VAT on behalf of the company in service category in fiscal 2016-2017 from AMA Muhith, finance minister, at Bangabandhu International Conference Center in Dhaka recently.

ACC okays charge sheet against nine

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Others accused by the ACC include Tipu Sultan, chairman of Marine Vegetables Oils; Jahir Ahmed, managing director of Marine Vegetables Oils; Nanda Dulal Bhattacharya, former executive vice president of Mercantile Bank; Mejbah Uddin Ahmed, former first vice president; Moinul Kashem Chowdhury, former principal officer; Anowar Hossain, former branch manager, and Sarder Mohammed Jubaer, former manager of the bank.

In April last year, the ACC filed the case with Double Mooring police station in Chittagong. Founded in 1962 as a commodity trader, MEB later spread its wings to textiles, glass, plastics, paper mills, auto bricks, edible oil and beverages.

It had set up one and a half dozens of companies, of which only six are now in operations. The rest were either shuttered or became non-operative because of financial constraints.

The group blamed its fall on the intense competition among a number of commodity traders that compelled them to sell goods at prices lower than the import costs between 2001 and 2010.

The debt-ridden Chittagong-based business group topped the list of top 100 loan defaulters in the country, according to a list revealed in parliament recently.

AGRABAD HOTELS

ABM Shajahan, chairman of Agrabad Hotels Ltd, presides over the company's 55th annual general meeting in Dhaka on Monday.

Bangladeshi apparel to draw bigger FDI

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"The US-China trade tensions have also begun to disrupt existing supply chains and dampen investor confidence, as evidenced by the deceleration in trade growth after the first half of 2018."

If the trade tensions remain, export growth may slow to 2.3 percent in 2019, compared to a nearly 4 percent growth in export volume in 2018.

The FDI inflows to the region are also expected to continue in their downward trend next year, following a 4 percent drop in 2018.

Tariff hikes that have already taken place are expected to cut global GDP by $150 billion and regional GDP by a little over $40 billion if they remain. Since many of the main export industries in the region are relatively labour-intensive, a contraction of export could spell at least temporary hardship for many workers.

At a minimum, Asia and the Pacific will see a net loss of 2.7 million jobs due to the trade war, with unskilled workers, often women, shouldering more severe impact.

If the tariff war further escalates in 2019 and investor and consumer confidence drop, global GDP could ultimately be cut by nearly $400 billion, also driving regional GDP down by $117 billion.

Almost 9 million people could be put out of work in the region, with many more workers also moving to new jobs in different sectors.

"As production shifts take place and resources are reallocated across sectors and borders due to the trade conflicts, tens of millions of workers may see their jobs displaced and be forced to seek new employment," said Mia Mikic, director of the Trade, Investment and Innovation Division at ESCAP.

Regional integration will be important to create new economic opportunities.

But other complementary policies, such as labour, education and retraining policies plus social protection measures to support people negatively affected must also be placed high on the policymakers' agenda if the region is to continue making progress towards the Sustainable Development Goals, she added.

Customs protest halts trade

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The half-day work abstention was observed nearly a week after a brawl between some customs officials and BGB men when three customs officials at Tamabil Land Customs Station (LCS) in Sylhet were injured.

The incident took place on December 6 centring allegations of harassment of three Indian citizens, who are students of a medical college in Bangladesh, by the BGB men at the LCS.

The issue was over checking baggage of travellers from India by the BGB men, according to customs officials.

Since then, officials of customs have been protesting the alleged attack on their colleagues and have been demanding punishment of the attackers.

On December 11, National Board of Revenue (NBR) Chairman Md Mosharraf Hossain Bhuiyan sent a letter to the secretary to the home ministry's Public Security Division saying that revenue collection activities would suffer if punishment and proper redress were not ensured.

"If such steps were not taken, implementation of various development plans of the government will be affected. So quick and effective steps have to be taken and exemplary punishment of guilty persons should be ensured," read the letter.

Bhuiyan also sought instruction from the public security division so that related police station cooperates in filing a criminal case.

The BGB has denied the allegation. No case was filed nor any probe body formed, reports our correspondent from Sylhet.

Syed Mushfequr Rahman, secretary general of Bangladesh Customs Association, said customs and VAT officials observed work abstention protesting the attack at Tamabil LCS.

"For the time being, we will wait for action from the home ministry," he said, adding that they would go to higher forums for justice after the election.

Golam Sarwar, director for transport at Chattogram Port Authority, said port activities were partially hampered as release of imported goods remained suspended for four hours.

Md Neyamul Islam, joint commissioner of customs house at Inland Container Depot, Kamalapur, Dhaka, said they also observed work abstention in solidarity with other colleagues.

Mohammad Mehraj Ul Alam Samrat, deputy commissioner of Chattogram Custom House, said assessment and shipment of goods meant for export and activities at the airport were out of the work abstention's purview.

Import-export and goods delivery came to a halt for the protest at the country's biggest customs house in Benapole, leaving hundreds of trucks carrying onion and other essential commodities stranded on the Indian part, Petrapole port, reports our correspondent from Benapole.

Trade payment delays taint country's image

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In order to remain competitive in today's changing environment, both clients and financial institutions have to streamline their trade activities, he said.

As per an ICC 2017 survey, the major challenges facing businesses today are cost control, limited technical competency, limitations of current technology, poor productivity management and limited training and development, he said.

The banking sector had lost Tk 22,502 crore in the past decade through major scams, Muhammad A (Rumee) Ali, banking commission chairman of ICC Bangladesh, said citing reports.

Therefore, the loss per year is Tk 2,250.20 crore and per day—when 260 working days a year is taken into consideration—is Tk 8.6 crore, Ali said.

Ali, also CEO of Bangladesh International Arbitration Centre (Biac), questioned how the banking sector was able to sustain itself amidst this and declaring profits every year.

He blamed a lack of good governance and pressure from vested groups as the main reasons for such scams and urged the central bank to take remedial measures.

A total of 151 representatives of 35 banks attended the workshop.

Vincent O' Brien, executive committee member of ICC Banking Commission, Paris and vice chair of ICC Banking Commission, United Arab Emirates, conducted the workshop.

Ataur Rahman, ICC Bangladesh secretary general, also spoke on the occasion. A similar workshop was held earlier in Chittagong on December 8, participated by 80 representatives of 30 banks.

50 garment units shut over fear of unrest

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"So far no major untoward incident like vandalism has taken place," he added. At Ashulia, a group of foreign buyers of Ha-Meem Group were caught up in demonstration and had to be rescued by helicopter.

AK Azad, managing director of Ha-Meem Group, said a group of workers in his factory has remained absent.

He said he visited his factory yesterday to resolve the crisis.

"I asked the workers to continue the work as the management has been working on adjusting the grade and salary of the workers," said Azad, who employs nearly 60,000.

Samsung to shut mobile phone plant in China's Tianjin

REUTERS, Seoul

Samsung Electronics will cease operations at one of its mobile phone manufacturing plants in China, the company said, as its sales in the world's biggest smartphone market slumps amid rising competition from lower-cost local rivals.

The South Korean company has seen its share of the Chinese market shrink to 1 percent in the first quarter of this year, losing out to home-grown brands like Huawei, according to market research firm Counterpoint.

"As part of ongoing efforts to enhance efficiency in our production facilities, Samsung Electronics has arrived at the difficult decision to cease operations of Tianjin Samsung Electronics," Samsung said in a statement.

Agora to invest $10m to double outlets

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The former Group CEO and adviser of Desh Group of Companies said the fast economic development of Bangladesh, customer's satisfaction, quality products and convenient atmosphere were driving the growth of supermarkets in the country.

"Superstores have offered a western-style shopping experience to customers becoming increasingly busy, allowing them to buy everything under a single roof and without hassle."

On the sourcing of products, Ahmad said Agora has a group of select suppliers and its quality control team monitors the products and examines them regularly to ensure higher standard.

Speaking about competition, the CEO said Agora does not consider other players as its competitors. Instead, it sees them as partners. "Some companies have entered the market and some have exited, but Agora has been able to sustain and grow in the last 18 years."

"It has been possible because of our continuous efforts to ensure the best quality of products and the best service," said Ahmad, who completed BBA from the University of Houston and MBA from the University of Liverpool. The company employs about 750 people.

PARTEX STAR GROUP

Sultana Hashem, chairperson of Partex Star Group, opens a showroom of Ashley HomeStore, a US-based furniture store chain, at Gulshan 2 in Dhaka on Tuesday. The group's concern, Partex Home Store, represents Ashley in Bangladesh.

CHEVRON BANGLADESH

Md Kamal Uddin Talukder, secretary to the rural development and cooperatives division; Neil Menzies, president of Chevron Bangladesh, and Anna Minj, director for community empowerment, integrated development, gender justice and diversity programme of Brac, attend an experience sharing event of a Jibika project, a collaboration between Brac and Chevron implemented under Brac's integrated development programme, in Dhaka on Monday.