

# UK economy shows unexpected strength in July, dampening recession fears



Workers using a crane can be seen inspecting part of the roof of the Houses of Parliament in London.

REUTERS, London

Britain's economy picked up more than expected in July, data showed on Monday, dampening fears that it will succumb to its first recession since the financial crisis as the Brexit crisis escalates.

Economic output in July alone was 0.3 percent higher than in June, the Office for National Statistics (ONS) said, marking the biggest rise since January and topping all forecasts in a Reuters poll of economists that had pointed to a 0.1 percent increase.

The pound inched higher against the dollar on the figures, which showed the expansion was driven by the dominant services sector — although the ONS said the underlying picture showed its growth weakening through 2019.

"While the figures are far from stellar, after a contraction in the second quarter the chances that we see a negative GDP print in the third have now dropped significantly, meaning that a technical recession will likely be avoided," said David Cheetah, chief market analyst at online broker XTB.

The world's fifth-biggest economy shrank in the second quarter, a hangover from a stockpiling boom in advance of the original March Brexit deadline.

While most economists think modest growth will return in the current quarter, a slew of downbeat surveys has shown business activity wilting during the Brexit crisis, especially in August. They point a risk that the economy will contract again, which would officially herald a recession.

The ONS said gross domestic product in the three months to July was flat compared with the previous three-month period. A Reuters poll of economists had pointed to a 0.1 percent contraction.

Last month, the Bank of England forecast that economic output would grow 0.3 percent in the third quarter, although its forecast for zero growth in the second quarter proved to be too optimistic.

Besides the political crisis at home, the outlook for the economy has dimmed further because of trade tensions between the United States and China.

Wednesday's data showed the services sector, which accounts for almost 80 percent of British economic output, expanded 0.3 percent in July after four months of stagnation, the biggest upturn since November 2018.

Manufacturing output increased unexpectedly last month, rising 0.3 percent in monthly terms, while the construction industry also fared better than expected, posting a 0.5 percent rise in output.

Separate figures showed the goods trade deficit increased in July to 9.144 billion pounds from 8.920 billion pounds in June, although this was still a little less than the 9.55 billion pounds deficit economists had forecast.



Sultana Jahan, vice chairman of Labib Group, receives a "Bangladesh CSR Leadership Award 2019" on behalf of the group from The Employer Branding Institute, India at Pan Pacific Sonargaon Dhaka on Sunday. The group also bagged a "Bangladesh Best Employer Branding Award 2019" at the event.

LABIB GROUP

## Stocks bear brunt of export plunge

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Turnover, another important indicator of the market, however, soared 9.5 percent to Tk 407.03 crore.

Of the traded issues, 74 securities advanced and 237 declined while 42 closed unchanged on the premier bourse.

National Tubes dominated the turnover chart accounting for trading worth Tk 22 crore, followed by IBD Sina Pharmaceutical Industry, Monno Ceramic Industries, United Power Generation &

Distribution and Stylecraft.

Alhaj Textile Mills topped the gainers' list with 9.94 percent gain followed by Gemini Sea Food, Wata Chemicals, Dulamia Cotton Spinning Mills and Delta Spinners.

Chittagong stocks also fell. The bourse's benchmark index, the CSCX, declined 36.71 points, or 0.39 percent, to finish at 9,247.43.

Losers beat gainers as 185 issues declined and 50 advanced while 21 finished unchanged on Chittagong Stock Exchange.

## Decathlon enters Bangladesh

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It is creating an opportunity for Decathlon to come and strengthen its presence in Bangladesh, Dsouza said.

"Bangladesh is still growing and that's exactly the reasons why we came. Because we understood that there is a rapid growth that is really not comparable to other countries," he said.

Asked, Sabrina Jackstein, retail leader of Decathlon, declined to reveal the Dhaka store's monthly sales figure. It is too early to reveal such data as it had been little over one month past its opening.

"But we have a target. We are very close to achieving the target. We are happy with the first month sales and we are quite optimistic," she said.

She said it was impossible to exactly state the size of the market for sports items as organised sports retailing is yet to start in Bangladesh.

However, the company's full year market study states that Bangladesh's sports market was going to turn bigger soon.

"Bangladesh is like a blue ocean for the company as still there is no competitor here. We definitely hope that one day we will be able to open our typical Decathlon store in different cities in Bangladesh in future," said Jackstein.

"The company has been planning to sell the goods through online like Amazon. We will open the website soon for selling the products online," she added.



Tapan Chowdhury, chief patron of Guardian Life Insurance Ltd; MM Monirul Alam, CEO, and MH Khusru, CEO of Expo Group, attend the signing of an agreement at the former's head office in Dhaka recently for the Expo Group employees to get insurance coverage for life, critical illness and hospitalisation.

## Japan downgrades second-quarter GDP as trade war hits business investment

REUTERS, Tokyo

Japan's economy grew at a slower pace than initially estimated in the second quarter as the US-China trade war prompted a downward revision of business spending, intensifying calls for the central bank to deepen stimulus this month.

Weakness in the global economy and worsening trade protectionism have emerged as risks to growth and added some pressure for the Bank of Japan (BOJ) to expand stimulus when it meets next week.

The economy grew an annualized 1.3 percent in April-June, revised Cabinet Office data showed Monday, weaker than the preliminary reading for 1.8 percent annualized growth and in line with economists' median forecast.

The annualized growth rate translates into a quarter-on-quarter expansion of 0.3 percent from January-March, compared with a preliminary reading for a 0.4 percent gain.

"There's a possibility growth will turn negative in the October-December quarter," said Izuru Kato, chief economist at Totan Research.

"If worries about such negative growth deepen (in the coming months), the Bank of Japan could consider lowering interest rates further

into negative territory."

Capital spending rose just 0.2 percent from the previous quarter, much lower than a preliminary 1.5 percent rise and the median forecast for a 0.7 percent increase.

The capex downgrade was due to government statisticians including a demand-side survey of capex in the revised GDP data, which was not in the preliminary figures and showed weakness in the sector.

Stefan Angrick, senior economists at Oxford Economics, said manufacturers cut spending in the quarter amid a re-escalation in US-China trade frictions.

"While investment by non-manufacturers, particularly software-related, maintained robust growth, it was not enough to completely offset the contraction in spending by manufacturers," Angrick said in a note.

A private sector business survey published last week showed Japanese manufacturing activity declining for a fourth straight month in August while export orders remained in contraction for a ninth month in a row.

Private consumption, which accounts for some 60 percent of gross domestic product, advanced 0.6 percent from the previous three months, matching the preliminary reading.

Net exports - or exports minus imports - subtracted 0.3 percentage

point from revised GDP growth, signaling the economy is feeling the pain from the global growth slowdown.

### BOJ PRESSURE

The outlook for the world's third-largest economy remains clouded as risks from declining manufacturing overseas and at home hit exports.

Analysts have also warned of a possible drop in domestic consumption after Japan raises its sales tax to 10 percent next month, which could hit one of the economy's few growth drivers.

A separate Cabinet Office survey released on Monday pointed to a bleak outlook for consumption. The survey called the "economy watchers" sentiment index, which measures business confidence among workers such as taxi drivers, hotel workers and restaurant staff, was marginally higher than a three-year low hit in July.

The outlook index, indicating the level of confidence in future conditions, slipped to the lowest level since March 2014, the month before Japan's last sales tax hike in April 2014.

Amid the risks to growth, BOJ Governor Haruhiko Kuroda has kept the door ajar for cutting interest rates further into negative territory, saying last week such move is among the bank's policy options.

## Govt raises hopes for aspiring entrepreneurs

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Female entrepreneurs will also get similar kinds of facilities for running their SME units, he said, adding that two high-powered committees will be formed for implementing the newly-adopted SME policy.

The industries minister himself will lead a 37-member committee that will include secretaries from different ministries and higher-ups of government divisions.

The industries ministry's secretary will lead another 29-member committee in which officials from the National Board of Revenue, the Bangladesh Investment Development Authority and other related bodies will be incorporated as members.

### AIIB to provide \$1 billion

The Asian Infrastructure Investment Bank (AIIB) has offered to provide \$1 billion to Bangladesh for various projects, Alam said.

The offer came during the meeting between Finance Minister AHM Mustafa Kamal and AIIB President Jin Liqun on the sidelines of the fourth annual meeting of the board of governors of the Beijing-based lender held in Luxembourg earlier in July.

Following the meeting, it was reported that the AIIB will extend all-out financing support to Bangladesh in the coming days and has even agreed to let the country select its own projects as per its development demands.

## Banks' capital base strengthens

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As of June, Janata's capital shortfall is Tk 1,201.15 crore, down from Tk 4,888 crore three months earlier.

Janata's provisioning shortfall hit Tk 8,256 crore, the highest yet for a bank in Bangladesh's history.

But the state lender later got a deferral support from the central bank to keep provisioning in phases between 2019 and 2022, which has decreased the capital shortfall significantly on paper.

Agrani's capital shortfall was Tk 456 crore at the end of June, down from Tk 1,054 crore three months earlier.

The bank recovered Tk 1,350 crore from default loans in the first six months of the year. Last year, it managed recovery of about Tk 1,000 crore, said its managing director, Mohammad Shams-Ul Islam.

Capital shortfall of the other five state lenders escalated in the second quarter though.

The rising CAR is a good indication of the state of the country's banking sector, said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a platform of private banks' chief executive officers.

"But we have yet to reach the CAR set by Basel III. We should give our best effort to improve CAR further."

Full-fledged implementation of Basel III is highly important for banks to run global business smoothly, said Rahman, also the managing director of Dhaka Bank.

## Restrict beef imports

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Of the production, cattle and goat meat accounts for 55 percent, said the AHCAB press release.

"Imports of beef will be discouraging for farming of dairy and beef and affect the aspiration to be self-sufficient in milk and meat," said Shah Emran, the BDFA general secretary.

At the press conference, AHCAB President M Nazrul Islam, BVA Secretary General Habibur Rahman Molla and former chief scientific officer of Bangladesh Livestock Research Institute Sharif Ahmed Chowdhury also spoke.

## Germany to set up BMW assembly plant: Kamal

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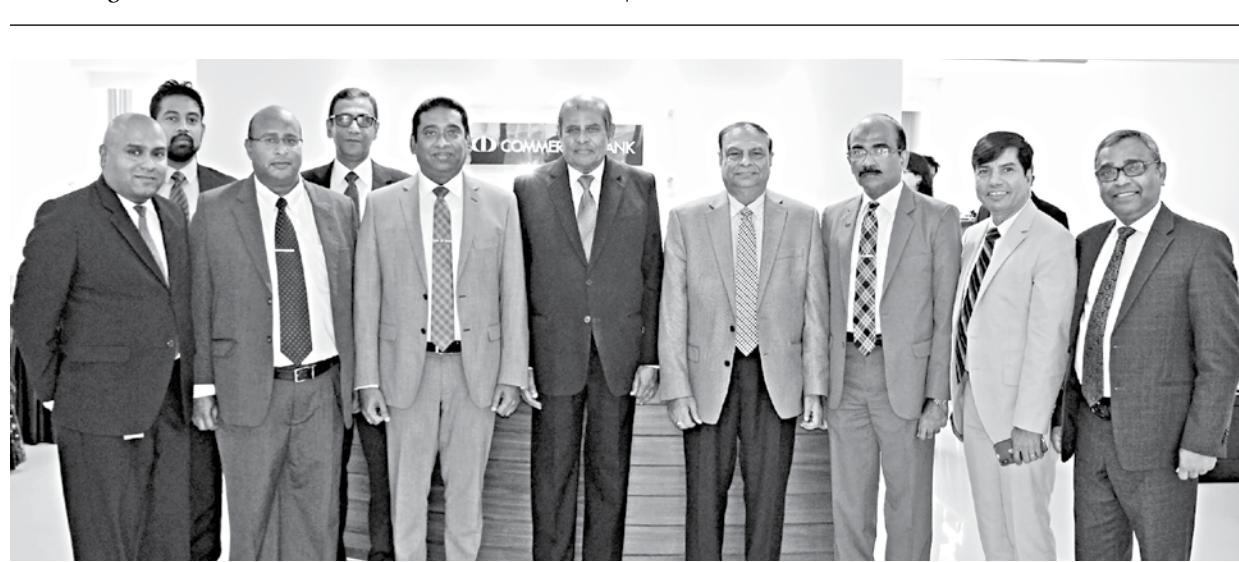
After the meeting, Kamal told journalists that the delegation would meet Prime Minister Sheikh Hasina and then they would take their next step.

"It is a good proposal as we will no longer have to import such expensive cars from abroad," the minister said.

Alongside this, the delegation also assured extending all-out cooperation so that Bangladesh's GSP facilities were not cancelled.

"Our relation with Germany is very ancient and thus they have been investing here for long. At present, they want to use our jute industry," the minister said.

Once a major earner of foreign currency through exports, the jute industry is now facing a hard time, said Kamal, adding that jute goods were used in Germany for decorating BMW and Mercedes-Benz cars.



Tilak Marapana, fifth from right, Sri Lanka's foreign minister, poses with the management committee of the Commercial Bank of Ceylon PLC, Bangladesh at the bank's head office in Dhaka recently. Ciranthe De Silva, Sri Lankan high commissioner to Bangladesh, and Varuna Kolamunna, country manager of the bank's Bangladesh operations, were present.



Planning Minister MA Mannan attends the launch of a WaterCredit Adoption Programme in Bangladesh of international development agency Water.org at Lakeshore Hotel in Dhaka yesterday.