

Attacks on Saudi oil facilities - what will it mean for consumers?

REUTERS, New York

The attack on Saudi facilities on Saturday caused the biggest oil supply disruption for more than 50 years. Here is what it could mean for consumers:

Where will I feel the cost increases?
Consumers around the world could see costs rise for products ranging from gasoline and diesel to home heating costs and air fares, after this weekend's attacks caused a spike in global oil prices. As the cost of transportation rises, that could mean shipments of other goods, such as groceries, could also increase in the coming months.

How does the price of oil factor into the diesel and gasoline price?

Crude oil is refined into fuel including gasoline and diesel. When crude prices rise, the cost of fuel rises with it. Other factors are also important in the retail price, such as local taxes and fuel standard regulations. Crude, however, is the biggest factor.

"Crude accounts for 50 percent of the (US) retail price, so as crude goes up, so does the retail," said American Automobile Association spokeswoman Jeanette Casselano.

Why is Saudi Arabia so important to this equation?

Saudi Arabia is the world's biggest



REUTERS

Smoke is seen following a fire at an Aramco factory in Abqaiq, Saudi Arabia on September 14.

crude exporter and one of the top producers. The attack removed half of its output- 5.7 million barrels per day (bpd), or the equivalent to 5 percent of global supplies.

Saudi Arabia is also the holder of nearly all the world's spare oil capacity - which means the ability to increase output quickly to compensate for any problems in supply worldwide. So any further large supply disruption will impact oil supply and prices more than they would have done if Saudi Arabia still had spare capacity.

Before the attack, Saudi Arabia

was shipping 7 million barrels of oil around the world daily, much of it to Asian buyers. When will prices start to rise? Very soon. Prices at the pump respond very quickly to moves in futures markets, which have risen sharply on Monday in response to the attacks.

In the United States, drivers could see gasoline prices at the pump start to rise as early as this week and prices could climb as much as 25 cents this month. The US gasoline and diesel futures contracts on the New York Mercantile Exchange rose

more than 12 percent and 10 percent, respectively, on Monday.

How can the rising price of fuel raise other costs?

Prices for fuel, especially diesel, which fuels heavier-duty vehicles such as trucks and farming equipment, are expected to rise. That will affect transportation costs for companies to ship products from the factory and the farm.

Manufacturing industries that require a lot of energy supply like automotive production and chemicals could also pass on costs if their expenses increase.

Consumers, therefore, could see costs increase for items at their grocery stores like fresh produce, which often has to be shipped from other regions.

Fuel price increases are expected throughout the world's major economies, with countries in Asia particularly sensitive to spikes because of their energy-intensive manufacturing industry, said John Kilduff, a partner at Again Capital in New York.

Depending on how long Saudi exports are affected, consumers could also see increased ticket prices for air travel because of a price premium on jet fuel for aircraft, said Phil Flynn, an analyst at Price Futures Group in Chicago.

Details on car tariffs fuzzy as US, Japan head for trade deal

REUTERS, Tokyo

US President Donald Trump has said Washington and Tokyo have reached an initial trade deal that he and Japanese Prime Minister Shinzo Abe are expected to sign in New York later this month.

Top Japanese officials, however, said a deal had yet to be clinched.

Full details of the agreement have not been disclosed. Below are some key elements that are known - and unknown - about the pending agreement. Trump's announcement has left unanswered questions over whether the agreement would deliver Japan one of the main prizes of its negotiations: a US pledge not to impose national security tariffs of up to 25 percent on Japanese vehicles and auto parts under Section 232 of US trade law.

Japanese Foreign Minister Toshimitsu Motegi, who is in charge of talks with US Trade Representative Robert Lighthizer, told a news conference he wanted to reconfirm at the final stage of talks that the tariffs would not be imposed.

Japanese officials from Abe on down have said that under a September 2018 agreement, the United States would not impose added auto tariffs while trade talks were under way.

Japanese auto exports account for about two-thirds of the US trade deficit with Japan and the added tariffs would deal a blow to the country's trade-reliant economy.

A preliminary deal announced on Aug. 25 included reduced US tariffs on unspecified industrial products but Lighthizer said these did not include autos. Tokyo has sought removal of a US 2.5

percent tariff on autos and auto parts.

Japan is expected to agree to cut tariffs on imports of US beef and pork to within levels granted to signatories of the multilateral Trans-Pacific Partnership (TPP) pact, officials have said.

That would allow Trump to please US farmers ahead of next year's presidential election. The farmers had been disadvantaged in Japan's market after the United States withdrew from TPP after Trump took office in 2017. It would also let Abe keep a pledge to domestic producers.

Lighthizer said last month that wheat, dairy products, wine and ethanol would also benefit from the deal.

Washington, meanwhile, will make it easier for Japan to increase US-bound beef exports by scrapping a 200-ton annual low-tariff quota, affording Japan the same beef trade status as Australia, New Zealand and Canada, Japanese media reported.

In announcing the initial agreement last month, Trump made reference to Japan's decision to front-load planned purchases of US feed corn imports to cope with damage to its crop from an armyworm infestation.

However, Japanese officials said the country's total feed corn imports wouldn't increase under the deal, which simply front-loads three months' worth of roughly 2.75 million tons of imports. Private companies have the final say in how much feed corn they import.

Japan has agreed to phase out tariffs on US wine imports over five to seven years, about the same as the eight-year TPP time-frame, media said, potentially cutting the cost of US wine by about 13 percent for wine distributors.

US solar market growth slows this year as projects pushed back

REUTERS

The US solar market will grow more slowly than previously forecast this year as some large projects are shifted into 2020, an industry trade group said on Tuesday.

The Solar Energy Industries Association forecast 17 percent growth this year to 12.6 gigawatts in its quarterly joint report with consultants Wood Mackenzie Power & Renewables. That's down from a forecast of 25 percent growth earlier this year.

However, the report raised the five-year growth forecast by 6.7 gigawatts, citing strong solar commitment from utilities, according to excerpts viewed

by Reuters. More than 20 percent of the demand from 2019 to 2024 is expected to come from corporations that are increasingly pledging to power their operations entirely with renewable energy, it said.

The pipeline of contracted large-scale installations for utilities stands at a record 37.9 gigawatts, or roughly half the level of solar currently installed in the United States, the report said.

Utilities are seeking to capture generous government tax credits for installations that will begin to step down next year. The credit currently stands at 30 percent but will gradually drop to a permanent 10 percent in 2022.

The cost of solar energy systems fell in all markets, the report said. Compared with last year, residential system prices are 6.8 percent lower while utility systems are between 10 percent and 11.4 percent cheaper.

Global panel prices have fallen dramatically over the last year due to an oversupply of panels in top producer China, which cut incentives for installations there.

Residential solar rose 8 percent from a year ago, accounting for 628 megawatts, while non-residential installations fell to 426 megawatts due to negative incentive changes in key states like California, Massachusetts and Minnesota.



STANCHART

Apurva Jain, head of transaction banking at Standard Chartered Bangladesh; Khaled Aziz, chief operating officer, and Md Abdul Alim, general manager of Ishwardi Export Processing Zone (IEPZ), open the bank's "Business Development Office" at the IEPZ in Pabna recently. The bank now has such offices at all eight EPZs across the country.

Onion prices to come down within 24 hours: govt

FROM PAGE B1

"We have adequate stock of onion for sale in the local markets," he said.

State-owned Trading Corporation of Bangladesh (TCB) is also selling onion from trucks under open market sales system. Market monitoring has been strengthened so that none can profit off an artificial crisis of this widely consumed item, he said.

The press conference was held after a meeting the commerce ministry organised with traders, importers and wholesalers to discuss measures to bring down skyrocketing of prices in local markets.

Alberuni said the country's annual demand was 24 lakh tonnes while local farmers grew 23.76 lakh tonnes, but this being a perishable item, some 30 percent of the demand had to be met through imports. Bangladesh's annual imports average at nearly 11 lakh tonnes.

The number of LCs opened up until yesterday were for importing 12.72 lakh tonnes. LCs for importing 40,000 tonnes would be opened soon, said Alberuni.

He, however, could not exactly state the price prevailing in the domestic market yesterday.

"We have already discussed alternative sources for imports. We are prioritising Myanmar in this case," Jafar Uddin said.

The secretary also said some 100 onion-laden trucks were waiting for unloading soon at Bhomra land port, 25 at Sonamasjid, 15 at Hilly and two at Benapole.

Once those trucks are unloaded and the goods supplied to local markets, the prices will come down soon, he said.

The commerce ministry in a meeting on Sunday said prices in the local market increased abnormally because the Indian government fixed its own minimum export price at \$850 per tonne whereas it was recently ranging between \$250 and \$300.

India is a major source of onion in Bangladesh.

The vegetable sold between Tk 58 and Tk 70 per kilogramme in different kitchen markets in Dhaka on Monday whereas it was between Tk 45 and Tk 55 last month, according to the TCB.

Gamblers at it again. Their victim this time: National Tubes

FROM PAGE B1

The paid-up capital of National Tubes is Tk 31.65 crore. The government owns 51 percent of the stakes and institutional investors 20.4 percent.

Such plays are becoming all too common and yet the stock market regulator is not taking any decisive action to nip them in the bud.

"This company along with a few others is under our observation," said Saifur Rahman, spokesperson of the Bangladesh Securities and Exchange Commission.

There are other companies whose stocks are rising for no reason.

"We will see if there is any foul play and hand out punishment accordingly," he added.

Apple says \$14b EU tax order 'defies reality and common sense'



REUTERS/FIL

Apple's senior vice president of worldwide marketing Phil Schiller talks about the new iPhone 11 Pro during an Apple special event in Cupertino, California.

REUTERS, Luxembourg

The European Union's order for Apple to pay 13 billion euros (\$14 billion) in back taxes to Ireland "defies reality and common sense," the US company said on Tuesday, as it launched a legal challenge against the 2016 ruling.

The iPhone maker also accused the executive European Commission

of using its powers to combat state aid "to retrofit changes to national law," in effect trying to change the international tax system and in the process creating legal uncertainty for businesses.

Apple's arguments at the General Court, Europe's second-highest, came after the EU executive in 2016 said the tech giant benefited from illegal state

aid due to two Irish tax rulings which artificially reduced its tax burden for over two decades.

The case is key to European Competition Commissioner Margrethe Vestager's crackdown on sweetheart deals for multinationals, a campaign which has also led to action against Starbucks, Fiat, Engie, Amazon and others.

Apple's Chief Financial Officer Luca Maestri led a six-strong delegation to the court where a panel of five judges will hear arguments from both sides, as well as Ireland, Luxembourg, Poland and the EFTA Surveillance Authority, over two days.

"The Commission contends that essentially all of Apple's profits from all of its sales outside the Americas must be attributed to two branches in Ireland," Apple's lawyer Daniel Beard told the court.

He said the fact the iPhone, the iPad, the App Store, other Apple products and services and key intellectual property rights were developed in the United States, and not in Ireland, showed the flaws in the Commission's case.

"The branches' activities did not involve creating, developing or managing those rights. Based on the facts of this case, the primary line defies reality and common sense," Beard said.

Qatar announces new residency scheme for investors

AFP, Doha

Qatar announced Monday it will grant residency to foreign investors for the first time, state media reported, the latest in a series of measures designed to diversify the economy.

Foreigners investing an unspecified level of "non-Qatari capital" in the economy will be eligible for renewable five-year residency permits, the state-run Qatar News Agency reported.

Banks relieved as loan-deposit ratio to stay unchanged

FROM PAGE B1

The interest rate on both lending and deposit went up after the instruction, he added.

But seeing the banking sector's latest liquidity position, capital base and inter-bank lending trend, the central bank has gone back from its earlier stance. Many banks have adopted a go-slow policy in disbursing loans given the September 30 deadline, which had an adverse impact on credit growth, said Rahman, also the managing director of Dhaka Bank.

"The central bank's decision will help mitigate the ongoing liquidity stress in the banking sector. It will also have a positive impact on deescalating the interest rate on both lending and deposit," he added.

Some banks are now competing with each other for deposits amid liquidity stress, said MA Halim Chowdhury, managing director of Pubali Bank.

But the central bank move will ease the situation by way of giving some space to disburse more loans, he said.

"The banking sector as a whole will enjoy a stress-free situation because of the latest instruction."

As per latest central bank data, private banks' loan-deposit ratio stood at 84.42 percent. The ratio of 10 banks was well above the ceiling of 85 percent.

Stocks see sharp fall

FROM PAGE B1

Of the traded issues, 71 advanced, 236 declined and 46 closed unchanged. National Tubes topped the gainers' list with a 9.25 percent gain followed by Salvo Chemical, ML Dyeing, Quasem Industries and Green Delta Insurance.

National Tubes was the most traded stock too with a turnover of Tk 28.04 crore followed by Monno Jute Staffers, Legacy Footwear, British American Tobacco and Square Pharmaceuticals. Chattogram stocks also fell 69.17 points or 0.75 percent to stand at 9,076.84.

CID gets more time to submit probe report

FROM PAGE B1

But the transfer of \$20 million to Sri Lanka failed because of a spelling error by the hackers. Later, the BB was able to retrieve about \$15 million from the Philippines.

Bangladesh Bank Deputy Director (accounts and budgeting) Zobayer Bin Huda filed the case with Motijheel Police Station on March 15, 2016.

The CID is probing the case.



MTB

MA Rouf, a director of Mutual Trust Bank Ltd (MTB); Anis A Khan, CEO; Syed Rafiqul Haq, deputy managing director, and Liakat Ali Bhuiyan, first vice president of the Real Estate and Housing Association of Bangladesh, attend the launch of Commercial Space Finance, a term loan for small and medium enterprises, at MTB Tower in Dhaka yesterday.