# China's economy rebounds after steep slump

**Reuters**, *Beijing*

China's economy returned to growth in the second quarter after a deep slump at the start of the year, but unexpected weakness in domestic consumption underscored the need for more policy support to bolster the recovery after the shock of the coronavirus crisis.

Asian share markets and the Chinese yuan fell, partly reflecting the broad challenges facing the world's second-largest economy as it grapples with the double-whammy of the pandemic and heightened tensions with the United States over trade, technology and geopolitics.

Gross domestic product (GDP) rose 3.2 per cent in the second-quarter from a year earlier, the National Bureau of Statistics said on Thursday, faster than the 2.5 per cent forecast by analysts in a Reuters poll, as lockdown measures ended and policymakers ramped up stimulus to combat the virus-led downturn.

The bounce was still the weakest expansion on record, and followed a steep 6.8 per cent slump in the first quarter, the worst downturn since at least the early 1990s.

"As we previously highlighted, policy support is still needed despite recovering growth momentum," Betty Wang, ANZ bank's senior China economist.

"The possibility of resurgences in local COVID-19 cases, global economic uncertainty and the deteriorating China-U.S. relationship all pose downside risks to China's H2 growth outlook," Wang said.

REUTERS

**Employees work on a truck assembly line at a factory in Fuyang in China yesterday.**

Those risks were partly reflected in separate retail data that showed Chinese consumers kept their wallets tightly shut, pointing to a bumpy outlook at home and overseas, as many countries continue to grapple with the COVID-19 pandemic - led by surging infections in the United States.

Though June indicators and GDP numbers largely beat expectations, Rodrigo Catril, a foreign exchange strategist at NAB in Sydney, said they also revealed "the China consumer remains behind in terms of the recovery story."

"It's very much a story of government stimulus-led recovery, which is very much focused on the industrial side. The consumer remains very cautious. That cautiousness is something the market is looking at in terms of countries where the consumer plays a bigger role, so that's obviously relevant for the U.S. as well."

Retail sales were down 1.8 per cent on-year in June - the fifth straight month of decline and much worse than a predicted 0.3 per cent growth, after a 2.8 per cent drop in May.

A worker wearing a face mask following the outbreak of the coronavirus disease (COVID-19) sets up a line at a square at the Domestic job losses have been one of the worries for consumers, as many businesses struggled to stay in the black.

Wanda Film, for example, China's largest cinema chain operator which has more than 600 cinemas, on Tuesday warned of a first half net loss of 1.5-1.6 billion yuan ($214-228 million), after the coronavirus kept its cinemas shut for almost the entire period.

In the first half of the year, the economy contracted 1.6 per cent from a year earlier, underscoring the sweeping impact of the virus which first emerged in China late last year and has killed over 583,000 people worldwide.

The rising tensions with the United States and the pandemic have added to structural issues that China has been facing for years, including demographic changes, over-investment, low industrial productivity and high debt levels.

On a quarter-on-quarter basis, GDP jumped 11.5 per cent in April-June, the NBS said, compared with expectations for a 9.6 per cent rise and a 10 per cent decline in the previous quarter.

The government is expected to offer more support on top of a raft of measures already announced, including fiscal spending boost, tax relief and cuts in lending rates and banks' reserve requirements.

But debt worries have kept a leash on China's stimulus tap. Net fiscal stimulus unveiled so this year amounted to just over 4 trillion yuan ($571.76 billion), much restrained compared the spending burst in other major economies including the United States and Japan.

# Oil giants including Exxon set first joint carbon target

**Reuters**, *London*

A group of the world's top oil companies, including Saudi Aramco, China's CNPC and Exxon Mobil, have for the first time set goals to cut their greenhouse gas emissions as a proportion of output, as pressure on the sector's climate stance grows.

But the target, set by the 12 members of the Oil and Gas Climate Initiative (OGCI), means absolute emissions can rise as production increases. It is eclipsed by more ambitious plans set individually by the consortium's European members, including Royal Dutch Shell, BP and Total.

"It is a significant milestone, it is not the end of the work, it is a near term target ... and we'll keep calibrating as we go forward," OGCI Chairman and former BP CEO Bob Dudley told Reuters.

The OGCI members agreed to reduce the average carbon intensity of their aggregated upstream oil and gas operations to between 20 kg and 21 kg of CO2 equivalent per barrel of oil equivalent (CO2e/boe) by 2025, from a collective baseline of 23 kg CO2e/boe in 2017, the OGCI said in a statement.

The OGCI includes BP, Chevron, CNPC, Eni, Equinor, Exxon, Occidental Petroleum, Petrobras, Repsol, Saudi Aramco, Shell and Total, which together account for over 30 per cent of the world's oil and gas production.

The members agreed on a common methodology to calculate carbon intensity and the targets could be extended to other sectors, such as liquefied natural gas and refining in the future, Dudley said.

# No reliable database to scout out the real needy

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Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue (CPD), suggested this type of study should be conducted regularly to understand the situation of the vulnerable people.

Later, necessary steps can be taken as per the study findings, he said.

The Covid-19 pandemic has left a serious impact on the low-income people, according to him.

If a database on the poor can be developed, it will be helpful for the food and education ministry to undertake projects to mitigate shocks, he said.

Moazzem apprehended that the situation may worsen in the days to come if the pandemic prolongs.

The overall nutrition situation of the country has deteriorated in the face of the pandemic, said SM Zulfiqar Ali, senior research fellow of Bangladesh Institute of Development Studies (BIDS).

He said there is a wide disparity in nutritious food intake between the rich and the poor.

The government must pay special attention to address the situation as only half of the helpless and poor people have received assistance, he said.

He said the local government bodies as well as NGOs should be effectively involved in initiatives to help the poor, including the people who are about to fall into the poverty trap.

The Covid-19 pandemic has severely affected 98.6 per cent of the poor, who have seen a decline in income, loss of jobs, closure of shops and business activities and even a complete halt of income, said Nazneen Ahmed, senior research fellow of BIDS, in her keynote speech.

Although the country is going through an economic downturn, only a few respondents of the survey have changed their occupations during the pandemic, which implies that it was not easy to get new jobs.

# What the power sector budget should look like during a pandemic

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**POWER DIVISION'S ALLOCATION IN FISCAL 2020-21'S BUDGET**

The budget for fiscal 2020-21 has allocated Tk 24,853 crore to the power division, which is 4.9 per cent higher than the revised budget for fiscal 2019-20.

More than 99 per cent of this budget is allocated for ADP projects to implement 88 projects.

The majority of these projects will be 'continuing' projects (40.6 per cent of the total allocated budget), followed by 'carry-over' projects (28.4 per cent) and 'concluding' projects (31 per cent).

Of these, only 18 projects will be completed/near to completion in fiscal 2020-21, where one-fifth of the total budget will be used.

The carry-over projects (27) would make better progress during fiscal 2020-21, though few of those projects would not be more than 60 per cent complete.

The highest number of projects to be 'completed' (10) will be 'concluding projects'.

As many as 25 'concluding projects' will not be completed on time, which accounts for 71.4 per cent of the total projects.

**REPRIORITISING ALLOCATIVE PRIORITIES OF THE POWER SECTOR BUDGET**

Given the surplus generation capacity, less priority should be given to fossil fuel-based power generation projects.

As high as 19 power generation projects will be implemented during fiscal 2020-21, where the significant allocation of the budget has been earmarked (Table 1).

Such allocation will help to complete several fossil-fuel projects during the fiscal year, which need to be deferred.

These projects include the construction of Bibiana-3 400 megawatt (MW) combined-cycle power plants (CCPP) and emergency assistance projects for Bangladesh Rural Electrification Board.

This 400 MW CCPP will be completed with an allocation of Tk 535 crore, of which Tk 40 crore will be financed from domestic sources.

Besides, one coal-fired and one furnace oil-based power plant projects will receive a significant amount of allocation.

Both of these projects could be deferred, and resources could be saved for using alternate purposes.

A total of Tk 147 crore has been allocated from the revenue budget to conduct a feasibility study for the establishment of a coal-fired power plant. This project should be cancelled, and resources could be used for alternate purposes.

Allocation of Tk 124 crore could be saved from the revenue budget if setting up a power generation plant could be deferred.

Similarly, Tk 578 crore of the revenue budget could be saved if the implementation of a coal-fired power plant could be deferred, which will be jointly implemented with project support of Tk 3,092 crore in fiscal 2020-21.

The government should rethink its earlier decision of financing coal-fired power plants as well as seeking funds from development partners for establishing coal-fired power plants.

An allocation of Tk 250 crore has been made for land acquisition and land development for a coal-fired power plant, which could be cancelled.

Similarly, the investments made for land acquisition (Tk 160 crore) for a coal-fired power plant and for conducting for a feasibility study (Tk 5 crore) for another coal-fired power plant should be cancelled.

The decision to defer and cancel selected generation projects would release about Tk 914 crore from the revenue budget and Tk 2,507 crore from foreign aid in fiscal 2020-21.

Allocative priorities should be given to transmission and distribution related projects to upgrade the related infrastructure.

Among 26 transmission projects to be implemented this year, only five projects get sufficient allocation for completion in fiscal 2020-21.

However, another six are 'carry-over projects', and six are 'concluding projects', which would be completed in full if an additional allocation is made for these projects.

Similarly, out of 39 distribution-related projects, only nine projects received an allocation for completion this fiscal year.

Another nine 'carry-over projects' and 12 'concluding projects' could be completed at the earliest if sufficient allocation has been made.

A mechanism needs to be developed to reduce the excess installed capacity beyond the officially declared level of reserve capacity (25 per cent).

The estimated excess capacity is amounted to be 6,893 MW. Gradual retirement of quick rental power plants (1,920 MW) would be the first step to reduce the over-generation capacity.

Besides, power plants operate with a very low level of efficiency could be retired and the burden of overcapacity could be reduced accordingly.

In this connection, 6,159 MW worth of power generation plants currently at different levels of implementation needs to be deferred or cancelled.

A fresh outlook is needed for renewable energy-based power sector development in Bangladesh.

At present, four solar and one hydropower projects generate 300 MW worth of electricity.

Similarly, a limited number of renewable energy-based power plants are in the pipeline.

Under the public sector, only three projects are currently in the pipeline with a combined capacity of 162.5 MW.

Under the private sector, the renewable energy projects would add a generation capacity of 2,024 MW.

Another 927 MW worth of renewable energy projects has received the LOI/NOA/completed tender process.

The government should take the initiative to popularise the net metering system and increased use of rooftop solar power system.

More investment is needed for technological improvements for developing longer duration power storage battery.

In this connection, incentivising renewable energy-based projects at the private sector could help popularise its use even at a small scale (e.g. rooftop, school, and so on).

The government should renegotiate with development partners or the private sector regarding redirecting project aid from implementing generation-related projects to clean-energy, efficiency-enhancing, and transmission and distribution-related projects.

Specific negotiation needs to be launched with those development partners and foreign direct investment-led initiatives that are funding coal-fired or fossil fuel-based power plants to redirect their investment towards clean-energy based power plants.

*Khondaker Golam Moazzem is the research director and ASM Shamim Alam Shibly is a programme associate of the Centre for Policy Dialogue*

# Indonesia cuts rates as virus batters SE Asia's biggest economy

**Afp**, *Jakarta*

Indonesia's central bank on Thursday cut interest rates for the fourth time this year, with Southeast Asia's biggest economy battered by the coronavirus pandemic.Policymakers at Bank Indonesia reduced the key lending rate by 25 basis points to 4.00 percent, days after the government warned of a looming recession.

Central bank governor Perry Warjiyo said the latest rate cut was a "further step" to boost the struggling economy, adding that there were signs of a recovery as a stimulus plan kicks in and virus restrictions are eased.

"But we're not back to pre-pandemic levels," Warjiyo warned.

Research house Capital Economics said it expected the bank to move again in the coming months. "The main reason we think further easing is likely is the poor outlook for the economy," it said, adding that output remained "very weak".