

US consumer spending rises strongly

REUTERS, Washington

US consumer spending increased more than expected in July, boosting expectations for a sharp rebound in economic growth in the third quarter, though momentum is likely to ebb as the COVID-19 pandemic lingers and money from the government runs out.

The report from the Commerce Department on Friday also showed a rise in personal income after two straight monthly declines, but a chunk of the increase was from unemployment benefits, which were bolstered by a weekly \$600 supplement from the government that expired on July 31. Both consumer spending and income remain well below their pre-pandemic levels.

"The consumer is back spending at the shops and malls in July, but many of their purchases reflected pent-up demand following the pandemic lockdown," said Chris Rupkey, chief economist at MUFJ in New York. "The expenditures needed to fuel the economy's recovery in August are a big question mark given the hit to personal income nationwide with the loss of those \$600 weekly unemployment benefit checks."

Consumer spending, which accounts for more than two-thirds of US economic activity, rose 1.9 per cent last month, after jumping 6.2 per cent in June. Economists polled by Reuters had forecast consumer spending would gain 1.5 per cent in July. July's increase left consumer spending about 4.6 per cent percent below its February level.

Consumers boosted purchases of goods like new motor vehicles. They also lifted spending on healthcare, dining out and hotel and motel accommodation. While spending on goods has rebounded above its pre-pandemic level, outlays on services are about 9.7 per cent from

recovery as consumers remain wary of exposure to the coronavirus.

That is a bad omen for the services-based economy, which fell into recession in February. Though new COVID-19 infections have subsided after a broad resurgence through the summer, many hot spots remain, especially at college campuses that have reopened for in-person learning.

The economy suffered its deepest

cut to \$300 per week and funding for the program is expected to be depleted by September.

A handful of states are offering the extra unemployment benefit. Economists estimate the loss of the \$600 could cut \$50 billion from retail sales in August. At least 27 million people are on unemployment benefits.

A survey on Friday from the University of Michigan showed a

supplement will cut income by about \$70 billion in August.

With the saving rate at a lofty 17.8 per cent, some believe consumer spending will remain supported for the rest of the third quarter. But others say worries about the economy and the virus' persistence could make consumers reluctant to dip into savings. The saving rate slipped from 19.2 per cent in June.

"It's important to note that the pace of decline in the savings rate has slowed markedly," said Lydia Boussour, a senior US economist at Oxford Economics in New York. "Beyond the mechanical third-quarter rebound, more timely figures confirm that the demand recovery has lost some momentum."

Prospects for third-quarter GDP growth were boosted by another report from the Commerce Department on Friday showing retail inventories rebounding 1.2 per cent in July after declining for several months. That could offset a drag from rising imports, which led to the goods trade deficit widening 11.7 per cent to \$79.3 billion in July. Imports increased 11.8 per cent, matching the gain in exports.

July's solid increase in spending boosted monthly consumer prices, though overall inflation remained muted. The Federal Reserve on Thursday rolled out a sweeping rewrite of its mandate, putting new weight on the labour market and less on worries about too-high inflation.

The personal consumption expenditures (PCE) price index excluding the volatile food and energy components rose 0.3 per cent in July, matching June's advance. In the 12 months through July, the so-called core PCE price index climbed 1.3 per cent after increasing 1.1 per cent in June. The core PCE index is the preferred inflation measure for the Fed's 2 per cent target, which is now a flexible average.



REUTERS/FILE

Shoppers stand in line wearing face masks outside the Louis Vuitton store during the outbreak of the coronavirus disease, in Beverly Hills, California.

contraction in at least 73 years in the second quarter, with consumer spending at the forefront of the decline in gross domestic product. While economists are anticipating a sharp rebound in GDP in the third quarter, led by consumer spending, they are cutting estimates for the fourth quarter.

Stocks on Wall Street were trading higher while the dollar was down against a basket of currencies. Prices of US Treasuries rose.

Americans in low-wage jobs have borne the brunt of the economic downturn. Though President Donald Trump extended the jobless benefit supplement, the payout was

modest gain in consumer sentiment this month. According to the survey, half of all consumers expected the economy to improve in the year ahead, but many of them viewed the overall economic conditions as unfavourable.

In July, income rose 0.4 per cent, in part as the reopening of more businesses lifted wages. Income fell 1.0 per cent in June. It remains 5 per cent below February's level. Wages gained 1.3 per cent.

Unemployment assistance paid out \$1.364 trillion last month, down from \$1,470 in June. Economists expect the reduced unemployment benefits

Ample monsoon rains push India's summer crop plantings to record

REUTERS, New Delhi

Plentiful monsoon rains spurred Indian farmers to plant summer crops across a record swathe of farmland 7% bigger than last year, promising a bumper harvest in Asia's third-biggest economy, despite the rapid spread of coronavirus.

Farm ministry data shows growers sowed 108.2 million hectares (267.4 million acres) with crops such as rice, corn, cotton, soybeans and sugarcane.

Planting began on June 1, when monsoon rains typically hit India, where nearly half of farmland does not receive irrigation. "We're confident that food production will cross the target of 298.32 million tonnes in the 2020-21 crop year," said Farm Minister Narendra Singh Tomar, praising farmers for the record acreage.

Such a harvest would outstrip the previous year's record output of 295.67 million tonnes. Between Friday and June 1, farmers planted a greater acreage of every single summer crop than last year, the data showed.

Rice, the main food crop of the world's second-most populous nation, was planted across 38.9 million hectares (96.1 million acres), up from 35.4 million hectares (87.4 million acres) in the year-earlier period.

Oilseeds were planted across 19.3 million hectares (47.6 million acres),

up from 17 million hectares (42 million acres). Sowing of soybean, the main summer oilseed crop, stood at 12 million hectares (29.6 million acres), versus 11.3 million hectares (27.9 million acres).

Sugar cane planting was marginally higher, at 5.2 million hectares (12.8 million acres). Protein-rich pulses, a staple of the Indian diet, were planted across 13.4 million hectares (33.1 million acres), up from last year's 12.9 million hectares (31.9 million acres).

Corn acreage of 8 million hectares (19.8 million acres) exceeded last year's 7.9 million hectares (19.5 million acres).

The area planted with cotton totalled 12.8 million hectares (31.6 million acres) against 12.5 million hectares (30.9 million acres). The farm ministry could revise its preliminary planting figures, however, as more data flows in from Indian states.

After a spell of patchy rain in the last two weeks of July, India received rainfall in August that was 24% above the average, a trend weather officials see as likely to run until the end of the month.

India has the most virus infections in Asia, ranking third globally after Brazil and the United States. A record daily high of 77,266 new infections on Thursday took India's tally to 3.3 million, with a toll of 61,529 deaths. Every day since Aug. 7, it has posted the highest daily increase worldwide.



REUTERS/FILE

Farmers plant saplings in a rice field on the outskirts of Ahmedabad, India.

Walmart ad revenue could quickly jump if TikTok bid succeeds

REUTERS, New York

Walmart Inc could turn into an online advertising leader if its plan to acquire popular short-form video app TikTok goes through, analysts said on Friday.

The proposed purchase, in partnership with Microsoft Corp, would allow the world's largest retailer to quickly compete with Amazon.com Inc, Facebook Inc and Alphabet Inc's Google for eyeballs on social media, reaching customers across virtual and physical sales channels.

TikTok is up for sale as the Chinese-owned company is under fire from the Trump administration as a potential national security risk due to the vast amount of private data the app is compiling on US consumers.

Walmart, which pitched its ad business to large consumer goods companies and advertising firms for the first time last year, said on Thursday it was "confident" it could meet US TikTok users' expectations and satisfy US regulators' concerns.

TikTok owner ByteDance aims to ink a deal by Sept. 15, people familiar with the matter told Reuters on Thursday.

"Walmart is going to see a very quick rise in ad spend" if its bid succeeds, said Scott Smigler, president of e-commerce marketing agency Exclusive Concepts.

"From a brand standpoint, it's a no brainer



REUTERS/FILE

The logo of a Walmart Superstore is seen during the outbreak of the coronavirus disease in Rosemead, California, US.

because of the reach Walmart has and the huge shift we're seeing right now from offline to online (spending). ... For all of our brands and retailers that are eligible, we're going to want them on Walmart for sure."

Last week, Walmart posted its biggest-

ever quarterly growth in online sales, as the unprecedented spike in demand seen by big-box retailers at the peak of the coronavirus lockdowns has remained strong even as restrictions ease.

Walmart does not break out revenue

from sponsored ads for products sold on its website. But online ads yield much higher margins than product sales, and ad revenue is growing as the retailer boosts investments in the area.

It has been more important than ever for Walmart to find new ways to win market share from its closest e-commerce rival Amazon.com, a fast-growing ad platform, as customers increasingly shop online.

Amazon reported \$4.2 billion in advertising and other revenue for the most recent quarter, nearly double what it brought in for the same period two years prior. That amount is up 41% from the year-ago period.

Retailers including Target Corp and grocers such as Tesco Plc have aggressively wooed big advertisers to their websites to drive sales through pop-up banners and search-bar keywords.

In July, Bentonville, Arkansas-based Walmart rolled out new features for its in-house advertising platform Walmart Media Group. Walmart has seized many opportunities to scoop up online brands like Bonobos, which it purchased for \$310 million in 2017, and Art.com, which it bought for an undisclosed amount in 2018.

In 2010, Walmart announced its new video-on-demand service with its acquisition of Vudu, which also offers a free ad-supported streaming option.

Sterling above \$1.33 first time in 2020

REUTERS, London

Sterling rose above \$1.33 for the first time in 2020 and touched an eight-month high versus the U.S. dollar purely on the greenback's weakness in the aftermath of Federal Reserve Chairman Jerome Powell's speech at Jackson Hole.

In his address, Powell steered expectations of lower interest rates for longer as the central bank gets ready to accept an inflation above target after so many years of it undershooting 2%.

Against the euro, the pound remained relatively steady, with most traders staying on the sidelines and not taking a clear directional view on the British currency in thin August trading.

"It's this intermediate period when everyone is waiting to see how things develop," said Esther Maria Reichelt, a forex analyst at Commerzbank.

Renewed weakness in the British pound is not out of the woods, analysts say, as a mix of Brexit uncertainty, coronavirus fears and dismal economic data could well mean a return to a continuous decline in sterling.

British business confidence has ticked up but remains far below usual levels as the economy struggles to cope with social distancing and employers are preparing to cut jobs, a survey showed on Friday.

"At the moment we're concentrating a bit more on the Fed and the dollar, but it will come that there's interest in sterling again," said Andreas Koenig, head of global FX at Amundi, adding that its fate will be determined by whether Britain manages to successfully agree on a future trade deal with the EU.

ADB adjusts financing plan to speed up Bangladesh's economic recovery

FROM PAGE B1

The standby list includes a pipeline of bankable projects that respond to the country's needs and growing absorptive capacity, to be financed depending on the availability of additional lending resources.

"Strong government demand, sector absorptive capacity and project readiness continue to be key criteria in selecting programmes and projects, which may be processed earlier, depending on their readiness, regardless of their status as firm or standby," ADB said.

Bangladesh as a developing member country is eligible for regular ordinary capital resources (OCR) lending and concessional OCR lending (COL). The indicative resources available for commitment during 2021 comprise \$2.6 billion for regular OCR lending and \$2.7 billion for COL.

The development bank would be ready to provide another \$5.2 billion for standby projects during the three years.

ADB has a financing plan of \$1.7 billion for 2022 and \$1.9 billion for 2033.

The new COBP is aligned with the country partnership strategy 2016-2020 that ends this year and consistent with the guiding principles of the 8th five-year plan (under preparation) and its core themes of promoting prosperity and fostering inclusiveness, and ADB's Strategy 2030.

COBP includes projects in agriculture, natural resources, and rural development; education; health; energy; finance; transport; and water supply and other urban infrastructure and

services sectors.

The agriculture, natural resources and rural development sector would receive \$650 million as the ADB said food security and investments in rural livelihoods will be thrust areas because of the pandemic.

The agricultural productivity improvement project in 2021 will increase farm productivity by market access. The Flood and Riverbank Erosion Risk Management Investment Programme (Phase 2) will be prioritised in 2020.

The education sector would get \$1 billion as the lender moves from financing traditional primary and secondary education to next-generation digital education.

Secondary education has been reintroduced as a key area of assistance. Tertiary education and skills development will be linked with employment creation.

The Covid-19 Response Emergency Assistance (health) was added in 2020 to strengthen medical infrastructure in response to the pandemic. It gives \$100 million for the health sector.

The energy sector would get \$750 million during the plan period and the focus will be on renewable energy, rural electrification, energy efficiency, facilitating uninterrupted power supply, reforms and private investment.

Bangladesh would receive \$850 million for finance and public sector management. Money and capital markets were added to include the issuance of local currency bonds.

Microenterprise development was replaced by small and medium-sized enterprise finance and

leasing. Revenue administration improvement was dropped as a key area of public sector management assistance, ADB said.

The transport sector would receive \$1.8 billion. Priority will be given to improve access to markets by reducing transport and logistics costs, focusing on developing corridors to promote trade, ease congestion and improve safety.

The South Asia Subregional Economic Cooperation (Sasec) Tongi-Akhaura Dual Gauge Project, the Sasec Dhaka-Sylhet Corridor Road Project, and the SASEC Trade Facilitation Sector Development Project were moved to 2021.

The SASEC Dhaka-Northwest Corridor Road Project (Phase 2) (tranche 3) was moved to 2022, and it Phase 3 (tranche 1) to 2023.

The country would get \$768 million for the water and urban infrastructure sector. Increased support will be provided for climate-resilient green and liveable towns, including secondary and coastal ones.

Sector shares for the total pipeline, including standby projects, are 11.7 per cent for agriculture, natural resources, and rural development, 11 per cent for education, 1.8 per cent for health, 9.5 per cent for energy, 13.1 per cent for finance and public sector management, 37.6 per cent for transport and 15.3 per cent for water and other urban infrastructure and services.

ADB said it continues to support gender inclusion, climate resilience, balanced regional development and private sector participation.

"Projects in the plan will also help the country attain several Sustainable Development Goals."

Australian biotech firm to set API plant at BSMSN for \$30m

FROM PAGE B1

Development works for HA TECH's upcoming state-of-the-art good manufacturing practice (GMP) facility spanning 10 acres on at the Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN) will begin in January, said Paban Chowdhury, executive chairman of the Bangladesh Economic Zones Authority (BEZA).

HA TECH and BEZA signed the land lease agreement on 25 August.

The facility is expected to go into full operation by sometime next year.

Securing more foreign direct investment (FDI) for the country's Tk 22,000 crore-pharmaceutical industry, particularly API manufacturing, is crucial for propping up the sector, Chowdhury said.

About 98 per cent of the annual domestic demand for pharmaceutical products is met by BAPI members. After meeting the local demand, the products are shipped to 144 different countries.

Pharmaceutical shipments rose 4.5 per cent year-on-year to \$136 million in fiscal 2019-20 following improvements in product quality and policy support.

The National Board of Revenue recently declared that imports of API products, pharmaceutical raw materials

and reagents would be exempt of VAT until 2025 in a bid to boost the sector.

However, the tax authority also imposed a condition on API producers that require them to spend at least 1 per cent of their annual turnover on research and development projects for them to avail the benefit. The minimum value-addition should be 60 per cent.

"Our pharmaceutical sector will contribute to export diversification. Therefore, BEZA always welcomes API manufacturers at economic zones and is ready to roll out the red carpet, if needed," he added.

There is a huge potential to invest in API manufacturing in Bangladesh, said Beacon Pharma's Alam.

The reason being, the pharmaceutical sector is expected to grow 15 per cent year-on-year to reach \$5.1 billion by 2023, propelled by investments from local companies that seek to grab a bigger share of the global market, according to an estimate.

Mahmud though is buoyant that HA TECH's facility will become a manufacturing hub for a range of finished pharmaceutical products as well. This includes nucleic acid drugs that use oligonucleotide, which is one of the newest segments of innovative medicine.