

RBI chief says India's recovery not entrenched, will only be gradual

REUTERS, Mumbai

Some high frequency indicators are pointing towards stabilisation in economic activity in India but the recovery is still not entrenched and will only be gradual, Reserve Bank of India Governor Shaktikanta Das said on Wednesday.

The major economy hardest by the coronavirus pandemic, India has been forecast by most leading economists and banks to contract by around 10 per cent in the fiscal year ending in March.

"High frequency indicators of agricultural activity, the purchasing managers index and certain private estimates on unemployment point to some stabilisation of economic activity in the second quarter of the current year," Das told members of the Federation of Indian Chambers of Commerce & Industry's national executive committee.

"The recovery is not yet fully entrenched," he said.

"By all indications, the recovery is likely to be gradual as efforts towards re-opening of the economy are confronted with rising



REUTERS/FILE

The Reserve Bank of India Governor Shaktikanta Das arrives at a news conference after a monetary policy review in Mumbai, India.

infections." Despite India seeing one of the strictest lockdowns in the world, the country has crossed 5 million COVID-19 infections, and has the world's second highest number of cases.

Das also underlined the need

to regulate non-bank finance companies (NBFCs) or shadow banks better, while highlighting the positive impact of the measures taken by the RBI to lowering borrowing costs for the government and corporates.

The RBI has all these years

followed a light touch regulation policy with regards to NBFCs, Das said, adding that it has now taken measures to ensure no large entity failed as IL&FS did in 2019.

"The fragility, vulnerability of the NBFC sector is the main concern. They are still not at par with the banks in the matter of regulation and we don't want a repeat of a crisis in another NBFC," Das said.

He said the government, regulators and industry will need to work jointly for revival of the economy, adding that more focus would be needed on human capital, productivity growth, exports, tourism and food processing.

He said India's participation in the global value chains (GVCs) has been lower than many emerging and developing countries and said domestic policies need to focus on the right mix of local and foreign content in exports while aiming to increase participation in the GVCs.

"It is also important to learn from global experience and nurture those trade agreements that go beyond traditional market access issues," he added.

OECD lifts economic outlook on stronger-than-expected US, Chinese recoveries

REUTERS, Paris

The global economy appears to be recovering from the coronavirus slump faster than thought only a few months ago thanks to improving outlooks for China and the United States, the OECD said on Wednesday.

The world economy is on course to contract 4.5 per cent this year, the Organisation for Economic Cooperation and Development said, which - though unprecedented in recent history - was up from the 6 per cent contraction that it forecast in June.

Provided the virus is kept from spreading out of control, the global economy will bounce back into growth next year by expanding 5 per cent, trimmed from a June forecast of 5.2 per cent, the Paris-based policy forum said.

However, a stronger resurgence of the virus or more strict measures to contain it could chop 2-3 percentage points from the 2021 outlook, the Oecd warned.

The OECD said its forecasts were built on the assumption that local outbreaks would continue and would be targeted with local action rather than nationwide

lockdowns. It also assumed a vaccine would not be widely available until late next year.

The OECD said governments and central banks' actions to support households and companies' incomes had helped avert worse downturns and should therefore be kept up as outbreaks keep appearing sporadically.

Its brighter overall outlook for this year masked big differences between major economies with the United States, China and Europe seen performing better than feared while India, Mexico and South Africa may do worse as they struggle to contain the virus.

Having been the first country to experience the outbreak and having moved swiftly to control its spread, China was forecast to be the only country in the G20 group of economic powers to see growth this year with an increase of 1.8 per cent, up from a June projection of a contraction of 2.6 per cent.

Meanwhile, the US economy, the world's biggest, was also forecast to fare better this year than previously feared with a contraction of 3.8 per cent, still dire but far better than the -7.3 per cent forecast previously.

China steel sector sees higher demand in second half, calls to fend off import surges

REUTERS, Beijing/Shanghai

Chinese major steel producers had suggested to prevent sharp increase in imports of the industrial metals and to relax purchase of overseas steel scrap, the China Iron and Steel Association (CISA) said on Wednesday.

Nine steelmakers, including the biggest China Baowu Steel Group, Shougang Group and Ansteel Group raised concerns on the steel market amid the coronavirus disruptions and rising production costs, the companies said at a conference held by the CISA on Sept.9.

"The steel sector will see increasing demand, sufficient supply, easing but still high inventories, falling but stabilising performance in the second half of the year," the steel body cited the companies as saying.

The steel mills had advised the association to strengthen monitoring of steel trade, push forward mergers and reorganisations and ease raw material

supply and demand pressure.

China's steel sector has bucked the trend of global sluggish demand due to the pandemic in 2020, supported by a raft of economic stimulus such as infrastructure investments, but also dented by increasing raw material prices and imports.

The world's top metals consumer ramped up purchases of hot-rolled coils and semi-finished products in recent months, fuelled by lower overseas prices. Its overall imports of steel products had jumped 59.6% in the first eight months of 2020 compared with same period year earlier.

He Wenbo, chairman of the CISA told at the conference to "correctly understand" recent net imports of crude steel and to take new measures amid turbulent international situation to safeguard industry benefits.

"In the long run, trade remedy is a double-edged sword," the steel body cited He in the statement. "The fundamental solution is to enhance companies' competitiveness. There's large room to lower institutional cost."

US House report blasts failures of Boeing, FAA in 737 MAX certification

REUTERS, Washington

An 18-month investigation by a US House panel blasted Boeing Co and the Federal Aviation Administration over the 737 MAX which has been grounded since March 2019 after two fatal crashes killed 346 people.

The House Transportation and Infrastructure Committee's Democratic majority found numerous missteps in a nearly 250-page final report released Wednesday into the troubled plane's development.

"Boeing failed in its design and development of the MAX, and the FAA failed in its oversight of Boeing and its certification of the aircraft," the report says, detailing a litany of problems in the plane's design and the government's approval of the plane.

The review found the crashes "were not the result of a singular failure, technical mistake, or mismanaged event."

"They were the horrific culmination of a series of faulty technical assumptions by Boeing's engineers, a lack of transparency on the part of Boeing's management, and grossly insufficient oversight by the FAA — the pernicious result of regulatory capture on the part of the FAA."



REUTERS/FILE

Boeing Co's logo is seen above the front doors of its largest jetliner factory in Everett, Washington.

Boeing said in a statement it "learned many hard lessons as a company from the accidents... and from the mistakes we have made. As this report recognizes, we have made fundamental changes to our company as a result, and continue to look for ways to improve."

FAA said in a statement it will work with lawmakers "to implement improvements identified in its report." It added it is "focused on advancing overall aviation safety by improving

our organization, processes, and culture."

The report said Boeing made "faulty design and performance assumptions" especially surrounding a key safety system, called MCAS, which was linked to both the Lion Air and Ethiopian Airlines crashes.

MCAS, which was designed to help counter a tendency of the MAX to pitch up, could activate after data from only a single sensor.

The report criticized Boeing for withholding "crucial information from the FAA, its customers, and 737 MAX pilots" including "concealing the very existence of MCAS from 737 MAX pilots."

FAA is requiring a number of new safeguards to MCAS, including requiring it receive data from two sensors, before it allows the MAX to return to service. The report cited instances where Boeing employees granted permission to represent interests of the FAA "failed to disclose important information to the FAA that could have enhanced the safety of the 737 MAX."

Boeing did not disclose the existence of MCAS in crew manuals and sought to convince regulators not to require more expensive simulator training for MAX pilots. In January, Boeing agreed to back simulator training before pilots resume flights.

Runner ties up with Bajaj to make three-wheelers

FROM PAGE B1

In answer to a query on the sector's potential, the managing director said it was very difficult to estimate the current market size.

"However, we see a good prospect for safe and affordable three-wheel passenger and cargo vehicles in the country thanks to the growing economy," he added.

To set up the international standard manufacturing plant, Runner, with a reserve and surplus fund of Tk 391 crore, will need to invest Tk 300 crore, 30 per cent of which will be funded through equity while the rest will come from debt financing.

The company went public on May 21, 2019, raising a Tk 100 crore fund from the stock market which will be a part of the equity finance for this project.

As of yesterday, the company's shares rose by 0.51 per cent to trade at Tk 59.50 at the DSE.

Runner, with a paid-up capital of Tk 113

crore, provided 10 per cent cash and 5 per cent stock dividends for the year that ended on June 31, 2019.

This project is a very important and crucial step towards expanding Bangladesh's automobile manufacturing capabilities while also developing local expertise, including vendors, said Hafizur Rahman Khan, chairman of Runner Automobiles.

This initiative is in line with the government's vision of making the light engineering sector a top priority, he added.

Bangladesh depends on imports to meet its demand for three-wheelers and so, if the manufacturing plant is set up, the price of such vehicles will be reduced, the company's officials hoped.

Runner Automobiles has played a pioneering role in the local manufacture of motorcycles. Besides, it has also been working to develop and promote local vendors to produce parts and motorcycle components in the country.

Cards triumph amid pandemic

FROM PAGE B1

The credit card segment is dominated by City Bank, Eastern Bank, Standard Chartered and Brac Bank.

Lanka-Bangla Finance dominates the domestic-only credit cards.

Dutch-Bangla Bank leads the pack of the debit card segment, followed by Islami Bank Bangladesh Ltd, Prime Bank and Brac Bank.

The number of prepaid cards rose a staggering 74.17 per cent year-on-year to 589,785 in July. It was 586,230 in June.

People who don't have the eligibility to own either debit or credit cards can still

have pre-paid cards. Users have to load money onto the cards.

The prepaid card itself is an account and users don't have to open any bank account to own a pre-paid card. The cards are popular among students and freelancers.

EBL is the market leader in the prepaid card segment, followed by Bank Asia, Mutual Trust Bank and City Bank.

Transaction through internet banking fell: it was Tk 6,254.9 crore in July, down 15.72 per cent from Tk 7,421.6 crore recorded in the same month last year. It was Tk 7,421.1 crore in June this year.

ADP spending dips in August

FROM PAGE B1

The ADP for the current fiscal year includes 1,724 projects.

Development activities came almost to a halt after the government was forced to implement a countrywide shutdown from March 26 to rein in the rising cases of coronavirus infections, causing the ADP

implementation to virtually collapse in the following two months.

The development expenditure finally came down to a 27-year low last fiscal year.

The slowing trend of development spending may continue in the current fiscal year as well since the cases of coronavirus infections are on the rise.

Cabinet okays plan to set up first waste-based power plant

FROM PAGE B4

The cabinet committee on economic affairs approved a proposal from the energy and mineral resources ministry to buy 49.80 lakh tonnes of petroleum products in 2021.

The Bangladesh Petroleum Corporation would buy 39.60 lakh tonnes of gas oil, 4.8 lakh tonnes of Jet A-1 (an aviation fuel), 1.8 lakh tonnes of mogas (light aircraft fuel), 0.80 lakh tonnes of furnace oil and 2.8 lakh tonnes of marine fuel.

Morgan Stanley doesn't expect trading boom to continue

REUTERS, New York

Morgan Stanley Chief Financial Officer Jonathan Pruzan said on Wednesday the bank doesn't expect its sales and trading and investment banking business to perform as well in the third quarter as it had in the second.

Pruzan, at a virtual conference hosted by Barclays, said that August activity levels had still been good and the bank had seen "no real slowdown".

"From an Institutional Securities Group (ISG) perspective, we're not going to have as good a quarter as we did in the second quarter, but I would say it's sort of better than a typical summer quarter," Pruzan said.

During the second quarter, Wall Street's big investment banks gained from huge swings in financial markets due to the coronavirus crisis.

Pruzan said the bank was still seeing "very constructive markets" across all parts of its sales and trading and investment banking business.

JP Morgan said on Tuesday that its third-quarter trading revenue would be up about 20 per cent from a year earlier. Pruzan said he expected net interest income at the bank's wealth management business would "drift down a little bit" in the third quarter, in line with previous guidance.

Pruzan also confirmed the bank is on track to complete its \$13 billion acquisition of discount brokerage E*Trade Financial Corp in the fourth quarter, in line with previous guidance.

He said the bank's capital strength meant it had "real flexibility" for pursuing opportunities beyond the E*Trade deal. The bank is open to opportunities that make strategic sense in investment management, Pruzan said.

Visa unveils 3-year enhanced security plan

FROM PAGE B4

Other aspects are for harnessing data by identifying potential fraud before it occurs and increasing confidence in approving good transactions and empowering everyone, including accountholders and merchants, to play an active role in securing payments.

"The global pandemic has driven more consumers and businesses across the world to adopt digital commerce," said Joe Cunningham, head of risk for Asia Pacific at Visa.

"As new users get more familiar with digital payments, whether paying online or with a contactless card at a store, it is important that the experience is convenient, fast and secure." "Payment security is Visa's top priority and having a set of common goals for the industry is crucial to helping build long-term trust in digital payments," he said.

He said Visa's roadmap would help the Bangladesh ecosystem in meeting global standards and best practices.

EU executive wants billions in green bonds

REUTERS, Brussels

The European Union's chief executive said on Wednesday the bloc should commit to deeper emissions cuts over the next decade, and pledged to use green bonds to finance its climate goals.

With wildfires, drought and collapsing glaciers wreaking havoc around the world, European Commission President Ursula von der Leyen said ambitious action to tackle climate change could create millions of extra jobs, aiding Europe's economic recovery from the COVID-19 pandemic.



European Commission President Ursula von der Leyen

Von der Leyen said the EU should set a target to cut its greenhouse gas emissions by at least 55 per cent by 2030, against 1990 levels, confirming plans laid out in draft Commission documents previously reported by Reuters.

The EU's current 2030 emissions target is for a 40 per cent cut. Experts say a 55 per cent cut is the minimum effort needed by 2030 to put the EU on track

for its plan to reach net zero emissions by 2050.

Von der Leyen acknowledged the proposal would divide the European Parliament and member states, which must approve the legally binding target but which disagree on how ambitious it should be.

"I recognise that this increase from 40 to 55 is too much for some, and not enough for others," she said in a speech in European Parliament.

Poland, the only country which has not committed to the EU's 2050 climate goal, said the Commission had not delivered a plan to achieve the new target.

"The consequences of such action on the economies and societies of individual member states are unknown," the Polish climate ministry said in a statement.

The Commission will publish an analysis on Thursday of the steps needed to deliver the goal. This will include huge investments in transport, heavy and energy - where businesses will also face higher carbon costs under EU plans to revamp its carbon market.

Von der Leyen said 30 per cent of the bloc's 750 billion euro coronavirus recovery package of grants and loans, which the EU as a whole will borrow, should be raised through green bonds.

Meanwhile, 37 per cent of this package should be earmarked for projects to help industries decarbonise - by swapping coal for low-carbon hydrogen in industry, or installing electric car charging points.

Most safety net benefits go to ineligible households: CPD

FROM PAGE B4

These social assistance programmes play a key role in alleviating poverty in Bangladesh, however, there are some overlaps in the programme which should be removed, said Dipankar Datta, country director for Oxfam Bangladesh.

Rensje Teerink, ambassador and head of the EU delegation to Bangladesh, said the SSNP is helping poor people to improve their quality of life.

She suggested that the programme should be conducted efficiently and effectively for maximum output.

Teerink also recommended for building

up institutional capacity to conduct the SSNP.

Prof M Abu Eusuf, chairman of department of development studies at University of Dhaka, said it will be helpful for policymakers to undertake such initiatives in the future.

Some people get assistance from the SSNP despite being ineligible while those who do qualify are neglected, but now the government has undertaken a number of initiatives to resolve the issue.

Only 5 per cent of the total old age allowance beneficiaries are located in urban areas, he added.