India's October CPI likely above 7 per cent again, industrial output falls

REUTERS, Bengaluru

India's retail inflation likely stayed above 7 per cent for a second straight month in October as supply distortions led to a surge in vegetable prices, especially of onions, a Reuters poll showed, lowering the chances of further interest rate cuts.

Disruption from by the coronavirus pandemic and excessive rainfall in states such as Maharashtra, Karnataka and Andhra Pradesh have damaged and delayed the harvesting of onions - a key ingredient in Indian kitchens - alongside other vegetables.

A Reuters poll of 50 economists conducted from Nov. 4-9 predicted consumer prices rose 7.30 per cent last month from a year earlier, a touch lower than September's 7.34 per cent rate.

If realised, it would be above the top end of the Reserve Bank of India's medium-term target range of 2 per cent-6 per cent for the seventh consecutive month, a streak not seen since August 2014.

"India's recent inflation trajectory is driven by a confluence of seasonal supply-side drivers lifting the food segment, magnified by COVID-19-led disruptions, hindering inter-state transfer as well as provision of general services," said Radhika Rao, economist at DBS Bank.

"Price and tax rigidity in commodities has also added to the boost."

Demand remains weak in Asia's third-largest economy, which contracted at the sharpest pace on record of 23.9 per cent in the April-June quarter, as the ongoing pandemic left millions unemployed and resulted in massive pay cuts. India has the second-highest total infections in the world at more than 8.5 million cases.

The poll also predicted industrial output in September dropped 2.0 per cent from a year earlier, the seventh consecutive month of falls and its longest streak of decline since June 2009, as infrastructure output, which accounts for about 40 per cent of total industrial production, contracted 0.8 per cent.

Still, the RBI, which has eased its key repo rate by 115 basis points since March, was widely expected to wait until February before cutting the rate again amid worries over higher inflation.

"We see a space for a rate cut in the February policy meeting as the RBI leans towards stimulating growth and acts at the first window it gets when inflation drops within its target range," said Sakshi Gupta, senior economist at HDFC Bank.

REUTERS/FILE

A customer with his family is seen at an electronics and appliances shop in Jaipur, India.

Vaccine news may weaken need for US stimulus, but help still needed: investors

REUTERS, New York

An apparent breakthrough in a coronavirus vaccine weakens the case for another large US fiscal stimulus bill, but relief is still needed for struggling businesses to create a bridge for the economy, investors said.

Pfizer Inc's announcement that its vaccine was more than 90 per cent effective in tests come as Senate Republicans and House Democrats are in a standoff over the health of the economy and investors are closely watching any movement over talks.

Democrats have pushed for a $2 trillion package, with support for state and local governments that are facing steep layoffs, but Senate Majority Leader Mitch McConnell has pushed back, arguing Congress should enact a smaller coronavirus stimulus package highly targeted at the pandemic's effects.

"You have to assume in general that whatever level stimulus you would have received will probably be less because policy makers will say that the economy will mend," said Jonathan Golub, chief US Equity Strategist for Credit Suisse.

The vaccine news came after the United States became the first country to cross more than 10 million coronavirus cases on Sunday, according to a Reuters tally.

New Jersey joined some other US Northeast states on Monday by reimposing economic restrictions such as closing indoor dining by 10 p.m.

Mohamed El-Erian, chief economic advisor at Allianz, the corporate parent of PIMCO, cautioned that stimulus relief was still required to minimize the pandemic's economic and social effects. The "inclination is to argue that the fiscal support is no longer needed. That would be wrong," he tweeted.

Talks for another stimulus bill will likely be affected by polls for two open US Senate seats at play in the Jan. 5 run-off elections in Georgia, said Esty Dwek, head of global macro strategy at Natixis Investment Managers, who cautioned that the US economy remains weak.

"Even with a vaccine we need stimulus," she said, adding that the risk is that any further relief bills will "be about politics and not about need."

While another stimulus bill would likely extend the market rally, the lack of a relief package now will not sink stocks or investor sentiment as much as before Pfizer's news, said Lamar Villere, portfolio manager at Villere & Co.

"The downside risk of what does a world looks like in a no-stimulus scenario is frankly less disastrous to the market than it was yesterday," he said. "We now appear to have blue skies ahead if all of this is as positive as it looks."

As investors moved into riskier assets on Monday, stocks hit record peaks while benchmark 10-year Treasury rates jumped to their highest since March, when the US economy froze under lockdowns to prevent the spread of the virus.

Expectations for an imminent vaccine will likely push interest rates higher as investors price in an economic rebound next year, said Jabaz Mathai, head of US rates strategy at Citigroup, wrote in a note Monday. "Nevertheless, a stimulus package would be ideal to create a bridge for the economy."

Paul Nolte, portfolio manager at Kingsview Investment Management in Chicago, said a vaccine reduced the need for a stimulus but said if it was not available to the general public until March or April, "we might need something to bridge that."

Markets could continue to rally even if new stimulus is pushed to next year, said Anwiti Bahuguna, head of multi-asset strategy at Columbia Threadneedle. A stimulus bill will now likely range from $500 billion to $1 trillion, rather than the $2 trillion plus that Democrats had been pushing for, she added.

"People were rightly staying away from certain sectors" like hotels and travel, she said. The market's broad rally Monday "implies that rotation trade is on."

Private hospitals look to make a turnaround in 2021

FROM PAGE B1

"The situation for almost all other hospitals had been bad," Siddique said.

This was the first time the country's private healthcare sector, which had seen a burgeoning growth since the 1990s, suffered a blow.

Buoyed by the government's patronisation and the growing income and health consciousness among the people, nearly 15,000 private hospitals, clinics and diagnostic facilities emerged in the medical care landscape over the last three decades to cater to growing demand.

No official estimate of the industry's annual turnover is available.

However, AM Shamim, managing director of Labaid Group, one of the biggest private sector healthcare providers, earlier said the annual turnover would be $6 billion and the sector was growing at 25 per cent annually until the pandemic hit the country.

Today, private hospitals and clinics have 91,500 beds, which are nearly double that in public hospitals, said the Health Bulletin 2019.

In 2007, the number of private clinics and hospitals was 1,000, and they had 16,000 beds, just half the total beds in the public sector hospitals, showed official data.

Yesterday Shamim said industry turnover slumped roughly 35 per cent during the March-July period as doctors did not sit in the outpatient sections and patients preferred staying home instead of visiting hospitals.

"We saw a sharp fall in both outdoor and inpatients," he said.

However, things started returning to the pre-Covid period since September. "We have started seeing a peak after September," said Yousuf.

Shamim said the industry was likely to grow by 20 per cent next year as the Covid-19 also opened up opportunities for the private medical service providers to show their capacity, especially to those well-off people who used to travel abroad for treatment.

"We have been able to win the confidence of many," said Yousuf.

Haroon said the pandemic halted the growth of the sector. "We will recover fully unless the second wave of the pandemic hits us," he said.

Executives of the three hospitals said the sector has started rebounding since September and they expect the next year will be good one.

Walmart partners with GM's Cruise on self-driving delivery pilot in AZ

REUTERS

Walmart Inc is adding Cruise, a majority-owned affiliate of US automaker General Motors Co, to its roster of self-driving startup partners, in a pilot delivery program early next year in Scottsdale, Arizona, the retailer said on Tuesday.

Walmart previously has partnered with tech startups Flytrex, Nuro and Gatik on pilot delivery programs with self-driving vehicles in several US locations, and with Ford Motor Co in a Miami delivery pilot.

Cruise has been testing its self-driving vehicles for several years in San Francisco, as well as Phoenix. In addition to robotaxis, it has provided automated grocery delivery services to residents in San Francisco.

Backed by Honda Motor Co, SoftBank Group and T Rowe Price, Cruise told Reuters in an email it is "laser-focused on making this first pilot successful with Walmart."

China ups scrutiny of tech giants with draft anti-monopoly rules

REUTERS, Beijing/Shanghai

China on Tuesday published draft rules aimed at preventing monopolistic behavior by internet platforms, a move that will increase scrutiny on e-commerce marketplaces and payment services belonging to the likes of Alibaba Group.

China's State Administration for Market Regulation (SAMR), which issued the draft, said it wanted to prevent platforms from dominating the market or from adopting methods aimed at blocking fair competition.

The definitions it provided for internet platforms mean the new rules could apply to e-commerce sites such as Alibaba Group's Taobao and Tmall marketplaces or JD.com and payment services like Ant Group's Alipay or Tencent Holding's WeChat Pay. Food delivery platforms like Meituan could also be included.

The draft rules would also consider whether a transaction treats different customers in different ways based on big data, payment ability, consumption preferences, and usage habits.

They come after China's Financial Stability and Development Committee, a cabinet-level body headed by Vice Premier Liu He, last month flagged the need to improve mechanisms to ensure fair competition and called for the strengthening of anti-monopoly law enforcement.

The move also comes after the shock suspension last week of the planned $37 billion share market listing of Ant Group, an Alibaba affiliate, not long after regulators warned the company its lucrative online lending business faced tighter government scrutiny.

The draft rules issued on Tuesday would look to prevent e-commerce practices such as "choose one between two", under which an e-commerce marketplace restricts brands from selling on multiple platforms.

A number of competitors and merchants have accused Alibaba of previously adopting such practices on its platforms. Last year, SAMR called more than 20 platforms to a meeting to ask them to stop requiring merchants to sign exclusive cooperation agreements.

Xie Wen, a former Yahoo China president turned Chinese technology critic, said China had previously avoided taking a hard line with its technology sector in order to help local tech giants grow and compete against US rivals, most of whom have now been blocked from of the country's cyberspace.

With the focus now turning to building up domestic capabilities, Beijing was moving to rein in these companies, he said.

"At that time people believed that Chinese internet companies were competing against the US firms, and they are China's pride. But now we are switching to internal circulation," he said.

SAMR is seeking reviews and feedback from the public toward the draft rules until Nov. 30.

Agent banking winning hearts of remitters

FROM PAGE B1

"In order to give a boost to lending through agent banking, we will set up sub-branch in every upazila where full-fledged branches are not available," he said.

The sub-branches will approve the micro-loans replacing the head office as the bank looks to decentralise the existing system, Ali said.

The bank, which has so far disbursed 27 per cent of the total outstanding loans given via the agent banking outlets of all lenders, will disburse Tk 800 crore in 2021.

"The agent banking model should be used to provide the fund to the underprivileged section under the government's social safety net programmes," said Abul Kashem Md Shirin, managing director of Dutch-Bangla Bank (DBBL).

Sonali Bank is now dedicated to disbursing the fund, but the beneficiaries of the social safety net programmes do not have accounts.

If the fund can be disbursed through the agent banking window, more transparency will be ensured, Shirin said.

The prospect of the agent banking is bright thanks to the initiatives taken by the central bank and banks, Anwarul Islam said.

Customers now allowed to open an account with an agent within 5-7 minutes by filling up the electronic KYC (know your customers) form.

"This has attracted people," Islam said.

As of September, the total number of accounts under the programme stood at 82.21 lakh, up 107 per cent year-on-year.

ACI returns to profit on higher sales of hygiene products

FROM PAGE B1

Net operating cash flow per share was Tk 30.17 in the negative in the first quarter. It was Tk 7.24 in red during the same period in 2019.

ACI's consolidated net operating cash flow was also in the negative because of high consumption of working capital to build up inventory and cater to increased demands, the company said in a disclosure published on the Dhaka Stock Exchange (DSE) website yesterday.

It declared 80 per cent cash and 10 per cent stock dividends for the year that ended on June 30, 2020, despite incurring losses of Tk 105 crore in the year. The loss stood at Tk 74 crore a year ago.

The dividends were recommended out of accumulated profit, the company said in its statement.

It was not recommended from the capital reserve, revaluation reserve, unrealised gain or profit earned before the company's incorporation and through reducing paid-up capital, anything that would turn post-dividend retained earnings negative or debit balance, ACI added.

In fiscal 2019-20, its consolidated earnings per share were Tk 18.45 in the negative against Tk 13.51 in the negative for the same period the previous year.

ACI's total revenue was about Tk 6,974 crore in the last fiscal year, up from Tk 6,314 crore a year ago.

The company has a reserve and surplus of Tk 874 crore, according to DSE data.

"It's a good sign that a large market capital-based company like ACI has returned to profits amid the pandemic," said Abdul Mannan, a stock investor.

ACI's market capitalisation was Tk 1,458 crore as of yesterday.

Since the company had incurred losses for the last few quarters, mainly due to higher finance costs, ACI should focus on getting equity investment to expand and repay loans early, the investor said.

"We want to see good companies like ACI make a profit because it boosts the confidence of investors," he added.

ILFSL sinks to Tk 2,802cr loss

FROM PAGE B1

In 2019, the interest income of ILFSL dipped by Tk 756.98 crore as a result of interest suspense and provision for leases, loans and advances of Tk 759 crore and Tk 2,035 crore respectively as required by the Bangladesh Bank and its auditor.

The interest expenses were up by Tk 62 crore last year compared to 2018 due to the increase in the cost of fund.

As the company fell into losses, its stock price tumbled by a third to Tk 5.5 in the last few days. It closed 5.56 per cent lower at Tk 5.1 on the Dhaka Stock Exchange yesterday.

In order to keep the NBFI afloat, the High Court had appointed Khandaker Ibrahim Khaled, a former deputy governor of the Bangladesh Bank, as ILFSL chairman on January 19.

He assumed the post on February 5 but resigned after just 25 days into the job citing health reasons.

One PK Halder and his associates ate up Tk 1,600 crore of Tk 3,500 crore loans, he had said after quitting.

The central bank replaced Khaled with Md Nazrul Islam Khan, a former secretary.

Businesses fear further losses as second wave looms large

FROM PAGE B1

The garments sector, which accounts for more than 80 per cent of export earnings, has been on a recovery track volume-wise in the last two or three months albeit at a compromised price level. This is leaving the suppliers extremely vulnerable.

"With the second wave in western countries, the volume might drop as well, buyers might hold back placing new orders," Huq said.

"This means factories, whichare already in a weak financial position due to the price hits, might end up with idle capacity. This might provide extremely difficult for the industry to cope with."

Bangladesh's merchandise exports declined 4.08 per cent year-on-year to $2.94 billion in October because of the faltering recovery of garment shipments from the coronavirus pandemic, official data showed.

Md Saiful Islam, president of the Leathergoods and Footwear Manufacturers & Exporters Association of Bangladesh, said some countries in the European Union, the largest export destination for Bangladesh's leather products and footwear, have already witnessed a second wave.

"This being the case, with varying extents, our sector is going to face the heat of the second wave, whether there is any second wave in Bangladesh or not."

The entrepreneur said the period from November to December was supposed to be a sales season in most of Bangladesh's export markets. "If the second wave hits hard the countries, stocks in the markets will pile up."

This will result in the slowing down, postponement or even cancellation of export orders by foreign brands and buyers as seen at the height of the first wave.

Islam lamented that just as the industry had started to recover, the second wave has started knocking at the door of Bangladesh.

"The second wave could further delay the recovery and will put some factories, particularly small and medium firms, in a struggle for survival."

If countries such as China face any second wave, the supply chain and imports will face serious disruptions, especially for the export sector, said Islam.

Abdul Muktadir, chairman and managing director of Incepta Pharmaceuticals, said the most severe form of the pandemic faced by the country still seems milder compared to that undergone by other countries.

"But if lockdowns are introduced because of the second wave, businesses would suffer. So, we should try to manage the situation without enforcing lockdowns. If we can do that, the status quo will be maintained."

He said if the government could ensure that every person wears a mask, then there would be no second wave in Bangladesh.

"Wearing masks and following health protocols to avoid the second wave would be extremely beneficial for the economy and the livelihoods."

He called on the government to enforce its initiative to ensure mandatory use of masks and maintaining of health protocols.

"The second wave may inflict more losses to the businesses than the first one," said Tapan Sengupta, deputy managing director of Bangladesh Steel Re-Rolling Mills (BSRM), the country's top steel maker.

Asif Ibrahim, vice-chairman of the Newage Group of Industries, said the second wave leading to shutdowns in Europe has initiated cancellations of export orders since the beginning of November. This may impact export earnings.

He said Bangladesh has shown resiliency during the first wave. "Hopefully, we can take lessons from it and minimise the impacts through proper planning and government stimulus packages."

Like other sectors, the real estate sector also faced a major impact, said Tanvir Ahmed, managing director of Sheltech, one of the top realtors in Bangladesh.

According to the Real Estate and Housing Association of Bangladesh, progress in about 6,000 real estate projects has slowed down as construction work was halted for about three months because of the pandemic.

At the beginning of 2020, the realtors were expecting growth on the back of a lower interest rate, a rise in the ceiling of loans and reduction of property transfer fees, Ahmed said.

"However, due to the Covid-19, the industry is still suffering and it will be very hard to recover."

Ahmed said Bangladesh has to prepare to limit the spread of the virus to ensure economic stability.

"So, the occupational health and safety should be given special priority," Ahmed said.

Shams Mahmud of the DCCI said the micro, small and medium enterprises have not received the support they required and were finding it difficult to stay afloat.

"We are seeing the second wave hitting Western countries. Export markets may suffer because of that. The positive news is online sales are up. So, even if we see a decline in stores, the orders may not come to a standstill for Bangladeshi exporters."

The small-scale enterprises missed out on business during Pahela Baishakh and Eid-ul-Fitr and witnessed subdued sales during Eid-ul-Azha. Many failed to secure loans from banks and have had to borrow from loan sharks at higher interest rates.

"The second wave will deal a severe blow to them," he said.

The small-scale enterprises need immediate support. Otherwise, new employment generation, ensuring financial security for informal sector people and women empowerment will all face a setback, the DCCI chief said.

The government should engage the media to raise awareness at this point, Mahmud said.

"We have come a long way since the outbreak of the Covid-19 in Bangladesh. So, we now have an idea where we have fallen short."