Car sales stuck in slow lane

Car sales have averaged 1,239 units per month so far this year, down from 1,339 units in 2020, according to Barvida and BRTA.

PHOTO: STAR/FILE

JAGARAN CHAKMA

Car importers and retailers in Bangladesh are in a tight spot as they are finding it difficult to keep businesses running because of the plunge in sales caused by the second wave of coronavirus infections.

With no income for the last four months, they are worried that they might not be able to pay salaries to staff, clear rents of showrooms, and repay bank loans.

Car sales have averaged 1,239 units per month so far this year, down from 1,339 units in 2020, according to the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida) and the Bangladesh Road Transport Authority (BRTA).

The closure of the BRTA since May owing to lockdowns has aggravated the revenue situation for importers, distributors and retailers, as they have not been able to complete the registration of the cars sold before the second wave.

Banks in Bangladesh will not disburse loans secured against cars until they are registered with the BRTA.

Passenger car sales plunged to a six-year low of 12,403 units in 2020 as demand collapsed owing to the economic slowdown caused by the pandemic.

Sales had improved in January and February in keeping with the rebound in the economy and consumer confidence. But the second wave erased the gains.

"We had thought 2021 would be better than 2020, but the second wave has put us in a terrible situation," said Mohammed Shahidul Islam, secretary-general of Barvida and chairman of HNS Group.

Islam said the BRTA had allowed car registration only for three days since June.

"As there is no income, car distributors and importers are facing trouble in paying the installment of bank loans," he noted.

Arif Khan, the proprietor of Trade Stone International, a reconditioned car importer, said sales have declined around 70 per cent this year.

"Besides, we have not been able to complete the registration of the cars sold before the second wave," he said.

There are around 400 units of cars awaiting BRTA registration, and the payment against them has been stuck in banks.

In Bangladesh, purchasing cars is mostly bank-financed. Banks do not disburse money before the completion of registration.

There were more than 6,000 units of cars waiting to be released at Chattogram and Mongla ports.

Khan said banks and customs were open, but the BRTA had been closed for a long time. "So, traders can't access the cash from the sales of the cars due to the absence of registration."

Md Mahbub-E-Rabbani, director for road safety at the BRTA, said registration would open just after the withdrawal of lockdowns.

The government is easing lockdown restrictions from tomorrow.

Sajeda Akter Maya, owner of Car Fair, a retailer, said car sales had declined drastically since the start of the pandemic. "Now, it has become tough to continue the business."

Before Covid-19, she would sell 12 to 15 cars per month. It has now come down to four to five units per month.

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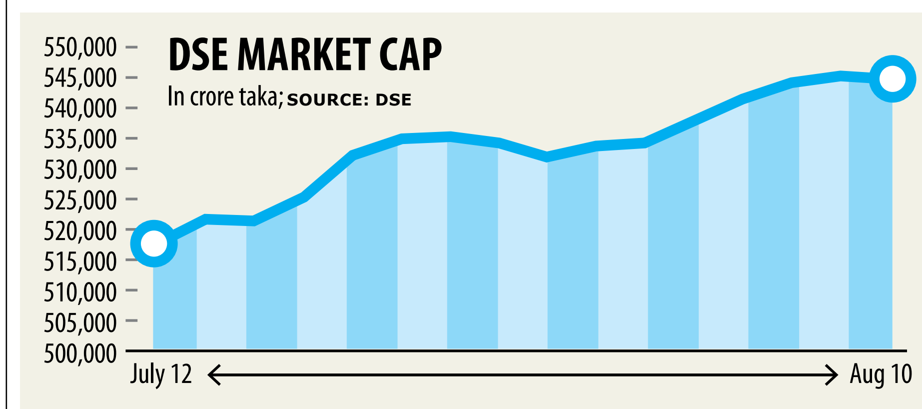
Stocks snap six-day rally



STAR BUSINESS REPORT

Stocks dropped yesterday following a six-day rally as many investors tried to book profits.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), edged down 10 points, or 0.15 per cent, to 6,617.

"Most stocks surged by 7 to 8 per cent in the last few days so people went for profits," said a top merchant banker.

A profit booking tendency among investors is normal considering that the index recently reached a historical high point.

Besides, Bangladesh Bank's decision to mop up excess liquidity in the banking sector also pushed the investors to seek profits, he said, adding that they should remain careful about investing in low performing stocks.

Turnover, another important indicator of the market, dropped 3 per cent to Tk 2,840 crore. At the DSE, 137 stocks advanced, 223 fell and 15 remained unchanged.

"Many investors booked profits after seeing the index hit its highest level since it meant that many stocks had gained value," said a top official of a stock brokerage firm.

Blaming the profit booking tendency for yesterday's dip, he went on to say that this is a normal occurrence for the stock market.

"But the index was saved from a steep fall as many investors were ready to buy as well," he added.

The National Housing Finance and Investments topped the gainers' list at the DSE by rising 10 per cent followed by Meghna Pet Industries, Tallu Spinning Mills, Usmania Glass Sheet Factory, and Islamic Finance and Investment.

Stocks of Beximco traded the most, worth Tk 167 crore, followed by IFIC Bank, LafargeHolcim Bangladesh, Orion Pharma and Appollo Ispat.

Dacca Dyeing shed the most, losing 8.61 per cent, followed by Emerald Oil, Golden Harvest, AFC Agro Biotech and Beacon Pharmaceuticals.

The Chittagong Stock Exchange (CSE) also dropped yesterday as the CASPI, the general index of the port city bourse, fell 7 points, or 0.04 per cent, to 19,281.

Among the 330 stocks to undergo trade, 132 rose, 181 fell and 17 remained unchanged.

Most stocks surged 7-8 per cent in the last few days, so people went for profit booking, says a merchant banker

GLOBAL BUSINESS

Asian airlines offer perks to keep elite flyers on board

REUTERS, *Sydney*

From wellness workshops to dinner with a celebrity chef and flights to nowhere, Asia's big international airlines are working hard to keep their most lucrative customers engaged as the pandemic-related travel halt stretches beyond 18 months.

While flights are starting to rebound in the United States and Europe, international travel is still down 96 per cent in Asia due to tough travel restrictions, making it harder to maintain a relationship with grounded premium clients.

Elite frequent flyers, many of them business travellers, are coveted by full-service carriers like Australia's Qantas Airways Ltd, Singapore Airlines Ltd and Hong Kong's Cathay Pacific Airways Ltd, and the airlines want them back when travel resumes.

Before the pandemic, around 5 per cent of international passengers globally flew in premium classes, but they accounted for 30 per cent of international revenue, data from airline industry group IATA shows.

Asian airlines have given status extensions of at least two years to elite tier customers who have earned access to airport lounges and other perks such as priority access to seats and upgrades to higher flight classes. Qantas Loyalty CEO Olivia Wirth said customers had made clear to the airline that such extensions were important.

"They work in many cases for years to achieve these high statuses and high tiers, so it was really important for us that we were going to continue to be loyal to them just as they had been loyal to us in the years gone by," she said. For airlines, the extensions come at relatively little cost given the potential future reward.

A crew member walks from a Qantas plane at a domestic terminal at Sydney Airport in Sydney, Australia.

REUTERS/FILE

Grounded elite members are not accessing airport lounges stocked with fine wines, made-to-order meals and day spas, although Qantas did host a dinner in Sydney for a few of them with celebrity chef Neil Perry and CEO Alan Joyce in June.

Singapore Airlines, which lacks a domestic market, said it has hosted virtual wine tastings, wellness workshops and online courses such as miniature clay art and coffee-brewing and offered a first class dine-at-home experience.

Some other engagement initiatives are paid for by the flyer. Michael Dean, a Qantas Platinum One flyer, said his status enabled him to secure his preferred business class seats on a 747 joyflight from Brisbane last year - for A$747 ($550) a seat - just before Qantas retired the jumbo jet.

"It was not cheap, but great fun," he said.

With flights grounded, airlines globally have also boosted engagement with another lucrative group - customers who fly less often but spend large amounts on co-branded credit cards that earn users air miles they can redeem for flights.

Airlines earn money from such cards by selling the frequent flyer miles to credit card issuers to use as rewards for cardholders.

Consumers have kept spending on co-branded cards at a similar rate to the broader credit card market during the pandemic, Qantas data and American Express Co data on its co-branded Delta Air Lines Inc cards shows. Evert de Boer, Singapore-based managing partner at consultancy On Point Loyalty said there were industry concerns earlier in the pandemic that consumers would switch from airline co-branded cards to cards that offer cash-back or other incentives, due to the halt in travel.

"But that hasn't happened at all," he said. "You can actually see that people want to travel." During the pandemic, Singapore Airlines and Cathay Pacific have developed their loyalty programmes into broader lifestyle brands, adding more miles-earning opportunities through e-commerce, dining and hotel stays, as Qantas has long done.

Switch to online AGMs gains pace despite concerns

REUTERS, *London*

A mass corporate switch in Europe to holding virtual annual shareholder meetings or AGMs has picked up pace this year, raising concern among investors that some companies will try to ditch the physical version permanently.

The pandemic prompted an overhaul of the way companies meet investors, with those in Britain relying on emergency laws to allow them to hold online AGMs in the 2020 season.

But in the second year of the pandemic, there are concerns that permanently virtual meetings could limit investors' ability to hold executives to account.

From January through July, 40per cent of AGMs globally were fully virtual, compared with 27per cent in the whole of 2020, data from Computershare showed.

In continental Europe the jump was particularly high, with 753 of 878 going fully virtual in the first seven months of 2021, compared with 548 of 918 in 2020. The United States did not see the same shift - around half of the 2021 meetings up to July were virtual, a similar proportion to 2020.

Several companies including British Airways owner International Airlines Group this year sought permission to go fully virtual in future and mostly faced shareholder rebellions of between 10per cent and 20per cent, although all such motions passed.

While many companies allowed a live discussion with management during virtual meetings, others shielded bosses from tough questions, said Kalina Lazarova, director and analyst in the Responsible Investment team at BMO Global Asset Management.

Tactics included requiring questions to be submitted in advance, cherrypicking which were answered, stopping follow-up questions, and limiting the time for questions. "We have recently heard from companies in Germany that the lack of live Q&A removes a degree of scrutiny and pressure from directors at the AGM," said Lazarova. "We worry that if these practices become widespread ... shareholder democracy, particularly retail investors' access to boards, will be eroded."

In Britain, Thomson Reuters Practical Law "What's Market" data showed that, so far in 2021, 85 FTSE 350 companies had proposed amending their articles of association's rules about the format of shareholder meetings in 2021, up from 41 in 2020.

The City of London financial district in Britain on March 19. The pandemic prompted an overhaul of the way companies meet investors, with those in Britain relying on emergency laws to allow them to hold online AGMs in the 2020 season.

REUTERS/FILE

NEWS *In Brief*

StanChart CEO says firms must act on climate change

REUTERS, *Hong Kong*

Companies should not rely on governments to reach agreement at a global summit on climate change this year, but rather take more action themselves, Standard Chartered CEO Bill Winters said on Tuesday.

The United Nations' Climate Change Conference (COP26) is due to take place in Scotland in November, aiming to wring much more ambitious climate action from nations. "Governments have not nailed this problem," Winters said at an online industry event.

He added that while he was optimistic going into COP26, "we have to prepare for the eventuality either there isn't agreement or there is agreement but the enforcement mechanisms are weak."

His comments come on the heels of a U.N. science report which has warned that global warming is dangerously close to spiralling out of control. Winters is chair of a private-sector initiative called the Taskforce on Scaling Voluntary Carbon Markets, which aims to set standards and encourage the developments of carbon trading schemes outside those managed by governments like the EU.

InterContinental Hotels profits from travel rebound

AFP, *London*

InterContinental Hotels Group on Tuesday announced a return to first-half profits as vaccination rollouts and the lifting of lockdowns boosted travel demand.

InterContinental, whose brands also include Crowne Plaza and Holiday Inn, reported net profit of $48 million (40.5 million euros) compared with a loss after tax totalling $210 million in the first half of the previous year.

"Trading improved significantly during the first half of 2021, with travel demand returning strongly as vaccines roll out, restrictions ease, and economic activity rebuilds," IHG chief executive Keith Barr said in the earnings statement.

Barr said domestic leisure bookings in the US and China had led the way, while the company also pointed to some recovery in business travel. But he warned of risk of volatility ahead as "business trips, group bookings and international travel will take time to fully recover".

Tesla sold 32,968 China-made vehicles in July

REUTERS

US electric vehicle maker Tesla Inc sold 32,968 China-made vehicles in July, including 24,347 for export, the China Passenger Car Association (CPCA) said on Tuesday.

Local sales of China-made vehicles plunged 69 per cent to 8,621 cars from 28,138 in June. Tesla's sales in the first month of each quarter are usually lower than the following two months. The company, which makes Model 3 sedans and Model Y sport-utility vehicles in Shanghai, sold 33,155 China-made vehicles in June.

Last month, Tesla introduced a cheaper version of the Model Y in China, where it faces increased scrutiny from both regulators and the public and growing competition from local rivals. It also lowered the starting price for Model 3 sedans. China's BYD sold 50,387 electric vehicles last month, while General Motors Co's China joint venture with SAIC Motor delivered 27,347 units.