Austria prepares to reopen coal power plants

AFP, *Mellach*

At the Mellach coal power plant in southern Austria, spider webs have taken over the conveyor belts, and plants and flowers have sprung up around the vast lot that once stored coal.

The plant, Austria's last coal-fuelled power station, was closed in the spring of 2020, but now the government -- nervous that Russia may cut its crucial gas deliveries further -- has decided to get the site ready again in case it's needed.

"I never would have imagined that we would restart the factory," Peter Probst, a 55-year-old welder, told AFP during a visit of the plant.

As Russia has cut gas deliveries in the wake of sanctions the West has imposed on it, European countries are turning back to coal

"It's really sad to be so dependent on gas," he added. Europe had been trying to move away from coal in the fight against climate change.

But as Russia has cut gas deliveries in the wake of sanctions the West has imposed on it for the war in Ukraine, European countries are turning back to coal.

Today, the Mellach plant's white and red chimney stands out amid fields of corn and pumpkins, the city of Graz in the distance. Inside, the walls are black, and coal dust clings to the doors and railings.

Some 450,000 tonnes of coal were stored at the plant before its closure as Austria's conservative-Greens coalition aimed to have all electricity come from renewable resources by 2030.

Site manager Christof Kurzmann-Friedl says the plant operated by supplier Verbund can be ready again in "about four months" -- just in time to help tackle any gas shortages in winter.

Kerosene traders have customarily used these modified tricycles accommodating a steel barrel on the back to reach customers, mostly roadside tea stalls which use kerosene stoves. Nowadays their business has expanded through the inclusion of a new product, natural gas, carried in cylinders alongside the liquid fuel. But transporting the highly flammable gaseous material with the liquid solvent in such an exposed manner has also raised the risks exponentially. The photo was taken at Mohakhali in the capital recently. PHOTO: PRABIR DAS

Stocks rise for second day on investor optimism

STAR BUSINESS REPORT

Shares on the Dhaka Stock Exchange (DSE) rose marginally for the second consecutive day yesterday as investors bought lucrative securities.

The DSEX, the benchmark index of the premier bourse in Bangladesh, closed at 6,342.59, up 22.26 points, or 0.35 per cent.

The DSES Index, which represents the Shariah-based companies, rose 0.35 per cent to 1,385.65, while the DS30 Index, which consists of the blue-chip firms, advanced 0.41 per cent to 2,294.58.

Investors put fresh bets on sector-wise issues as they found some stocks at lucrative prices, said International Leasing Securities Ltd in its daily market review.

It added some investors increased their participation to grab the opportunity of tax benefit on the capital market investment as the current fiscal year is coming to an end.

Among the sectors, ceramic, life insurance and engineering saw the highest price appreciation, whereas tannery and general insurance suffered the most price correction.

Investors' activities were mainly focused on the textile sector, which accounted for 17.5 per cent of the day's total turnover, followed by the engineering and pharmaceuticals sectors.

Investors put fresh bets on sector-wise issues as they found some stocks at lucrative prices

Turnover, an important indicator of the market, went up by 16.85 per cent to Tk 818 crore. It was Tk 700 crore on Monday.

Of the securities traded on the day, 199 advanced, 133 retreated and 50 were unchanged.

Shinepukur Ceramics was the most-traded stock, with its shares worth Tk 36.79 crore changing hands. Bangladesh Export Import Company, Fu Wang Food, Bangladesh Finance, Delta Life Insurance, and Bangladesh Shipping Corporation also witnessed sizeable turnover.

Among the individual stocks, Meghna Insurance Company topped the gainers' list, climbing 9.95 per cent. Imam Button Industries, Yeakin Polymer and Khan Brothers PP Woven Bag Industries also rose more than 9 per cent.

Non-bank financial institution IPDC Finance was the worst loser, giving up 2 per cent, the maximum a stock is allowed by the stock market regulator to fall in a single session on the DSE.

Quasem Industries, Savar Refractories, S Alam Cold Rolled Steels, New Line Clothings, Progressive Life Insurance and Janata Insurance Company each lost more than 1.9 per cent.

Shares on the Chittagong Stock Exchange also rose. The broader CASPI Index ended at 18,663.65 after adding 46.67 points, or 0.25 per cent.

Among the companies that witnessed trade yesterday, 160 went up, 97 went down and 36 did not see any price movement.

Turnover slipped to Tk 60.37 crore from Tk 61.20 crore on Monday.

Oil prices rebound

AFP, *New York*

Oil prices bounced and Wall Street stocks declined Monday, reversing the most recent trends as markets eye the end of a bruising second quarter.

After positive sessions for several leading European and Asian bourses, Wall Street stocks were in the red most of the day, and finished modestly lower.

The broad-based S&P 500, which has fallen about 14 per cent since the end of the first quarter, shed 0.3 per cent on Monday.

Wall Street last week enjoyed a rare positive performance amid talk that weakening economic data may have set the stage for central banks to tighten less aggressively than they have been suggesting.

But the first session of the week also revealed angst over the current macroeconomic backdrop.

Economists are increasingly pessimistic about the potential for US policymakers to engineer a "soft landing" as central banks tighten monetary policy, reversing a after a long period of rock-bottom borrowing rates due to surging inflation.

Michelin tyre to leave Russia

AFP, *Paris*

French tyre group Michelin said Tuesday it plans to transfer its activities in Russia to local management, the latest foreign firm to exit the country following Moscow's invasion of Ukraine.

Hundreds of Western companies ranging from furniture store Ikea to fast-food chain McDonald's and sports retailer Nike have left Russia since the war erupted in late February and sanctions were imposed on Moscow.

Michelin cited supply chain problems as the main reason behind its decision to give up business in Russia.

"After suspending its manufacturing activities in Russia on March 15, Michelin now confirms that it is technically impossible to resume production, due in particular to supply issues, amid a context of general uncertainty," the tyre company said in a statement.

Putin guarantees fertiliser supply to Brazil

AFP, *Brasilia*

Russian President Vladimir Putin on Monday promised his Brazilian counterpart Jair Bolsonaro that Russia "is committed" to maintaining its delivery of much-needed fertilisers to the South American agricultural giant.

Speaking in Brasilia, Bolsonaro said the two leaders had discussed by telephone "food security" and "energy insecurity," without giving more details. In its own statement on the conversation, the Kremlin said Putin "stressed that Russia is committed to carry out its obligations to guarantee the uninterrupted delivery of Russian fertilisers to Brazilian farmers."

Recipe to deal with economic challenges

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According to World Bank estimates, energy costs might climb by more than 50 per cent in 2022 before declining in 2023 and 2024.

Oil prices may reach $150 a barrel, and non-energy prices such as agriculture and metals are expected to rise by more than 20 per cent in 2022. In such situations, Bangladesh's export competitiveness will suffer if inflation is not managed well as a rise in raw material costs will increase the overall cost of exportable commodities.

Finally, Inflation would be an added blow to small businesses, which are yet to recover from the Covid-induced shock fully, as the increase in input prices, the higher costs of loans and the decreased demand will put them in further misery.

WHAT OTHER COUNTRIES ARE DOING TO MANAGE UNCERTAINTIES

Central banks around the world are concerned about the suffering of low-income people and moving expeditiously to prevent the situation from further escalating. Harsh steps such as increasing interest rates to the highest level in years and increasing the repo rate have been taken.

The Federal Reserve has raised interest rates by three-quarters of a percentage point.

India has prioritised inflation over growth and recently proposed a tax cut on gasoline and diesel to combat inflation while raising the repo rate by 40 basis points earlier. This reduction in excise duty and import taxes may result in a revenue loss of 1 lakh crore rupees per year, but it is expected to reduce inflation by 35-40 basis points.

In response to rising inflation, the Bank of England hiked interest rates by 0.25 percentage points to 1 per cent on May 5, bringing them to their highest level since March 2009.

PROPOSED BUDGET AND ITS OFFERINGS TO TACKLE CHALLENGES

The government has recognised inflation to be a key challenge for the fiscal year and has considered the possibility of a further increase in global prices of major commodities in the budget for the fiscal year of 2022-2023.

The reduction of customs duty for wheat gluten and feeds, plans for the procurement of 47,000 tonnes of food grain through the government procurement in case of shortages, and actions against hoarders through mobile courts should help increase the supply of essentials.

The increased sales of daily necessities at lower prices through the Trading Corporation of Bangladesh (TCB), the overall 21 per cent increase in subsidies on items, including food, fuel and other agricultural goods, and the 5 per cent increase in the social protection budget and planned increase in the number of beneficiaries should, to some extent, help the people in need and keep inflationary effects down.

The strategies to contain inflation and support the people who will be affected most could, however, have been more comprehensive. The tax-free personal income threshold remains unchanged despite the added burden of increasing prices, while for the lower-income who receive social protection benefits, the small benefit amount has remained the same as in the previous years.

The increase in the social protection budget has also been minimal. The support extended to the lower-income has been minimal as the large expenditure plan and the ambitious annual development programme (ADP) targets are expected to have high import components to put pressure on foreign exchange and lead to further depreciation of the taka and more inflation.

Allowing lower tariffs for some of the essential food items, including rice, lentils and palm oil, could have ensured better supply in the market, discouraged hoarding practices, and kept the prices down.

At a time when robust exchange rate management is critical to ensure an optimum supply of foreign currencies, the support provided in the budget for boosting exports and foreign direct investment (FDI), the two key drivers of foreign currencies, has much improvement room.

Provisions proposed with regards to transfer to the special reserve, the increase in the effective tax rate on the contribution to Workers Profit Participation Fund, mandatory submission of tax returns for global digital service providers like Facebook, Google, and Amazon, and the increase in source tax for exporters will decelerate FDI and export recoveries.

MEASURES BANGLADESH MUST CONSIDER

Monetary policy measures

Effectively increase the interest rates: There are marked anomalies between the policy rate, the deposit rate, and the lending rate. At present, depositors are getting an interest return lower than the inflation rate, which erodes their purchasing capacity.

Maintaining an appropriate level of exchange rate: Bangladesh's real effective exchange rate (REER) has been higher than nominal since the pandemic, indicating exports have been more expensive and imports cheaper relative to trading partners.

The official exchange rate fixed by the central bank also discourages remitters from bringing in foreign currency through banking channels due to the marked difference in rates between official and other channels. It is, thus, important to further devalue the currency after thoroughly assessing the exchange rate pass-through ratio to inflation and market difference.

Fiscal Policy Measures

Social protection support for low-income groups: The safety net should be increased effectively with minimum exclusion error and the benefits must reach those in need with efficient monitoring and accountability in place in such trying times. Energy price increases should be delayed in order to keep inflation and inflation expectations in check despite this raising the budget deficit in the short run.

Reduction of tariffs and taxes on essentials: If some consumer goods like palm and soybean oil, are all imported, it is important to temporarily eliminate tariffs or substantially reduce them, for both crude and refined, as an emergency measure, similar to India, and take other necessary steps to increase supplies from imports to keep the price level low.

The market should be signalled that the central bank is determined to relieve inflationary pressures as much as possible, even at the expense of GDP growth, to reduce future expectations of inflation.

Maintaining energy prices affordable for businesses and citizens: It is critical that the Bangladesh Energy Regulatory Commission reconsiders its plan to hike industrial/business energy prices. Such an increase will exacerbate the adverse effect of already spiralling commodity and dollar prices on businesses and citizens, diminishing competitiveness and adding to the cost of living.

The authors are, respectively, chairman of the Policy Exchange of Bangladesh and an economist.

Romo Rouf Chowdhury, vice-chairman of Bank Asia, and Romana Rouf Chowdhury, director, hand over a cheque for Tk 10 crore to Ahmad Kaikaus, principal secretary to the prime minister, at Prime Minister's Office in Dhaka recently. The fund is meant for aiding flood-affected people through the Prime Minister's Relief and Welfare Fund. Prime Minister Sheikh Hasina joined the event virtually from Gono Bhaban. PHOTO: BANK ASIA

Bangladesh showing might

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Complexities other than rescue, repair

The CPA wanted to ship the export-laden containers by another vessel, but it could not do so as the vessel's Vietnam-based owning firm, Hai An Transport and Stevedoring Joint Stock Company, declared General Average (GA).

On April 28, the shipowner declared GA and appointed the Marine Claims Office of Asia Pte Ltd as the general average adjusters, said Samudera Shipping Line.

General Average is a long-established procedure in the maritime industry for distributing extraordinary losses and expenditures in a fair manner between the parties involved in case of a casualty, according to Danish shipping giant Maersk.

Finally, back in action

Over two months after the accident, the ship got certified as seaworthy or fit for sea voyage by international classification society.

It left the Karnaphuli Dry Dock for Singapore on June 21 and is expected to reach the destination by June 29, according to another statement by Samudera released on June 21.

Samudera also said Haian City has completed her temporary repairs and obtained approval for single voyage sailing to Singapore.

The ship is scheduled to depart Singapore after a full cargo discharge for permanent structural repair in a Dry Dock, the statement read.

What experts say about the salvage work

The local salvage firm certainly did an excellent job by salvaging the badly damaged vessel, said Captain Md Anam Chowdhury, president of the Bangladesh Merchant Marine Officers' Association (BMMOA).

"If Prantik was not there, we would have had to bring expertise and logistics from abroad for rescuing the vessel," he said.

Giving an example, the senior master mariner said around 10 years back, a huge vessel brought for scrapping ran aground at the outer anchorage of the port.

Modern heavy tugboats were needed to be brought from abroad to salvage the ship back then.

More than 15 salvage firms are currently engaged in salvage operations in inland water routes, he said.

"But only Prantik is doing salvage operations of oceangoing ships in Bangladesh," Chowdhury added.

The BMMOA president suggested the government give policy support to equip other salvage firms to be able to salvage oceangoing ships.

"The salvage operation not only saved the ship but also Tk 800 crore worth export cargoes from being wrecked, which could be an obstacle for navigation," said BSAA Chairman Syed Md Arif.