Exxon, Chevron post blowout earnings

REUTERS

The two largest US oil companies, Exxon Mobil and Chevron Corp, posted record revenue on Friday, bolstered by surging crude oil and natural gas prices and following similar results for European giants a day earlier.

The US pair, along with UK-based Shell and France's TotalEnergies, combined to earn nearly $51 billion in the most recent quarter, almost double what the group brought in for the year-ago period. All four have ramped up share buybacks in recent months, capitalising on high margins derived from selling oil and gas.

Exxon outpaced its rivals with second-quarter net income of $17.9 billion, several billion dollars ahead of its previous record reached in 2012, which was aided by asset sales in Japan. The fifth major, BP Plc, reports next week.

The companies posted strong results in their production units, helped by the surge in benchmark Brent crude oil futures , which averaged around $114 a barrel in the quarter.

The results are sure to draw fire from consumer advocates who say the oil companies are capitalising on a global supply shortage to fatten profits

High crude oil prices can cut into margins for integrated oil majors, as they also bear the cost of crude used for refined products. However, following Russia's invasion of Ukraine and numerous shutdowns of refineries worldwide in the wake of the coronavirus pandemic, refining margins exploded in the second quarter, outpacing the gains in crude, adding to earnings.

The results from the majors are sure to draw fire from politicians and consumer advocates who say the oil companies are capitalizing on a global supply shortage to fatten profits and gouge consumers. US President Joe Biden last month said Exxon and others were making "more money than God" at a time when consumer fuel prices surged to records.

Earlier this month, the United Kingdom passed a 25 per cent windfall tax on oil and gas producers in the British North Sea. US lawmakers have discussed a similar idea, though it faces long odds in Congress.

Although guavas grown in Pirojpur upazila and Jhalakathi upazila can now make it to markets in the capital in record time thanks to Padma Bridge, farmers have been left disappointed by a poor harvest as inadequate rainfall has hampered production. PHOTO: HABIBUR RAHMAN

Unfavourable weather affects guava production

HABIBUR RAHMAN, *Pirojpur*

Unlike previous years, guava farmers in four unions of the Pirojpur and Jhalakathi upazilas are unconcerned about getting the expected prices for their produce as the time needed to make shipments has decreased substantially thanks to the opening of Padma Bridge.

However, farmers are displeased with the current harvest of the seasonal fruit as they seem to be smaller than normal in size.

Farmers say they need at least 8 to 10 pieces of normal sized guavas to make up a kilogramme but this year, they are needing twice as many of the fruit for the same amount.

In addition, the guavas are of lower quality as most of them are covered in spots due to disease, they said, adding that inadequate rainfall during the growing season is to blame for the diminished size.

"Guavas swell after getting wet in rainwater but the rains came very late this year," said farmer Md Nazrul Islam, citing how there is inadequate precipitation even amid the ongoing rainy season.

Bhaben Mondal, another guava farmer, echoed the same and said small guavas have little demand as their quality is also lower than that of normal ones.

"So, if the weather would favour us, we could get double production from our orchards," said Bhabotosh Biswas, a guava grower and union parishad member of Atghar Kuriana union in Pirojpur.

Chapal Krishna Nath, an agriculture officer of Nesarabad upazila, said there was hardly any rain between April and May, when the guava trees needed a good amount of water to flower well.

Harvesting of the fruit usually begins in June but it was delayed by a month this year as they took longer to mature amid the lack of rainfall.

In July, rainfall has been low too. The southern coastal division Barishal recorded 713 milimetre rainfall from July 1 to July 26, which was 66 per cent below the normal average rains of 2,075 millimetre, according to the Bangladesh Meteorological Department.

Chapal went on to say that as the rainy season has begun, they expect the next batch of guavas to be healthier as the season will continue for two months more.

Guavas have been growing for about three centuries across Atghar Kuriana union, some parts of Jalabari union in Nesarabad upazila, and Kirtipasha and Nabagram unions of Jhalakathi sadar upazila.

After harvesting is complete, the guavas are transported by boats to different local wholesale markets, where buyers collect them for sale in other parts of the country, including the capital city.

At present, farmers can sell one maund (about 37 kilogrammes) of guava for more than Tk 500 but the price falls every year due to increasing production.

Still though, farmers expect fair price this year as it has become significantly easier and faster to transport guava all over the country thanks to the opening of Padma Bridge.

Currently, guava orchards are taking up 607 hectares of land in Nesarabad upazila and 530 hectares in Jhalakathi sadar upazila.

Md Mostafizur Rahman Talukder, principal scientific officer of the Regional Agricultural Research Station in Barishal, said they are aware of the fact that guava production has been poor this year.

"Because of hot weather the production of the fruit is being hampered," he added.

When the guava trees flower, white flies attack them and that creates spots on fruit while restricting its growth.

"So, we suggest farmers use pesticides to get rid of the problem."

He then said that farmers do not use fertiliser in their orchards and is another reason why production quality is declining.

Besides, if farmers use bagging method to grow the fruit, it would bring good results, he added.

How to resolve the current account crisis?

MIZANUR RAHMAN

Bangladesh observed a prohibitive current account deficit of $17.1 billion in the last fiscal year of 2021-22. It, however, averaged $0.32 billion annually over the 12-year period from 2009 to 2021.

The ballooning current account deficit is causing a fast depletion of foreign exchange reserves and a crisis in the foreign exchange market. For over 12 months, the Bangladesh Bank resorted to selling foreign exchange reserves in order to support an overvalued taka against the US dollar. The policy was untenable and caused a fast depletion of forex reserves.

The central bank has, therefore, resolved to quit its decade-long policy to peg the taka to the US dollar in the range of Tk 80 to Tk 85. The new peg is now Tk 94.7 and it may go further downward.

However, the US dollar is reportedly trading at more than Tk 100 per unit in the kerb market. The widening gap between the official exchange rate and the market rate is gripping both policy-makers and businesses with uncertainty and mounting exchange risk.

The policy-makers, after enjoying a decade of stability in the exchange rate and external accounts, are suddenly embroiled in a crisis scenario. Their challenge is to reset monetary and exchange rate policies so that the widening current account imbalance doesn't evolve into a full-blown currency crisis. In order to do so, we need to look at the underlying drivers, both domestic and international, of the ballooning current account deficit.

First, global prices of coal, oil, gas and other primary commodities, including food grains, have more than doubled over the last 12 months and this resulted in an unprecedented rise in the cost, insurance and freight value of those imports. The reopening of the global economy after the coronavirus pandemic, the breakdown of global supply chains and the Russian invasion of Ukraine were to blame for the surge in commodity and energy prices across the globe.

Second, Bangladesh's economy, after the long 18 months of lockdowns with significantly reduced activity, reopened in the middle of 2021. It implies that households, the government and firms returned to the normal way of consumption and investments. That is, aggregate demand, which was decimated by the pandemic, rapidly expanded and the demand curve shifted to the right.

Critics of the government are drawing an improper equivalence between Bangladesh and other South Asian neighbours such as Sri Lanka and Pakistan with respect to the issue of debt sustainability

The massive fiscal and monetary stimulus, which the government of Prime Minister Sheikh Hasina rolled out in March 2020, surely contributed to further acceleration of the aggregate demand. In fact, private sector credit growth accelerated from 10 per cent in 2020-21 to 15 per cent in 2021-22. For countries like Bangladesh, this implies further escalation in both the volume and value of imports of raw materials, intermediate inputs and final goods.

Third, the role of government spending for large infrastructure projects and an overvalued exchange rate of the taka until the end of 2021 is a critical issue for the dynamics of current account deficits. It deserves a nuanced explanation.

The government initiated many mega projects in the areas of energy, connectivity, ports and telecommunication infrastructures.

READ MORE ON B2

Eurozone economy resilient in face of record inflation

AFP, *Brussels*

Europe's economy is proving surprisingly resilient against soaring energy and food prices, data showed Friday, as tourism boosted France and Spain but export powerhouse Germany stalled, keeping recession fears alive.

The EU agency Eurostat said gross domestic product in the 19-country eurozone grew by 0.7 per cent in the second quarter, far stronger than expected by analysts. The EU as whole grew by 0.6 per cent.

The war in Ukraine has seen the price of natural gas and grocery items skyrocket, and Eurostat's data also showed that inflation in the single-currency area hit yet another new record of 8.9 per cent in July.

Europe's industrial powerhouse Germany continued to be the worst affected by the war, which added to the country's woes from the continued Covid restrictions in China, a crucial export market.

Stagnant German growth in the second quarter has led analysts across the board to predict a recession that would spill over to the continent as a whole.

Russia has sharply reduced its gas flows to Germany, raising the fear that reserves will be very low this winter and force some level of rationing that would be devastating for the economy.

The International Monetary Fund has warned that Germany, which serves as the engine of the wider European economy, is the most at risk against the war in Ukraine.

Countries reliant on tourism showed better-than-expected resilience, with growth in France and Spain gaining strength as tourists took advantage of unrestricted travel to the world's top destinations.

A general view of Canary Wharf business district in London. China was Britain's biggest source of imported goods in 2021, accounting for 13 per cent of the total, while it was the sixth-largest destination for goods exports. PHOTO: REUTERS/FILE

UK businesses turning away from China

Says industry group

REUTERS, *London*

British businesses are cutting ties with China due to concerns about political tensions, a shift that is likely to stoke inflationary pressures, the head of the Confederation of British Industry (CBI) said in an interview published on Saturday.

"Every company that I speak to at the moment is engaged in rethinking their supply chains ... because they anticipate that our politicians will inevitably accelerate towards a decoupled world from China," CBI Director-General Tony Danker was quoted as telling the Financial Times newspaper.

China was Britain's biggest source of imported goods in 2021, accounting for 13 per cent of the total, while it was the sixth-largest destination for goods exports, according to Britain's official trade statistics.