

Australia hikes rates

REUTERS, Sydney

Australia's central bank on Tuesday raised interest rates for a fourth month running, but tempered guidance on further hikes as it forecast faster inflation but also a slowdown in the economy.

Wrapping up its August policy meeting, the Reserve Bank of Australia (RBA) lifted its cash rate by 50 basis points to 1.85 per cent, marking an eye-watering 175 basis points of hikes since May in the most drastic tightening since the early 1990s. Yet, RBA Governor Philip Lowe also made the outlook for policy more conditional.

"The Board expects to take further steps in the process of normalising monetary conditions over the months ahead, but it is not on a pre-set path," said Lowe.

The Reserve Bank of Australia lifted its cash rate by 50 basis points to 1.85 per cent, marking an eye-watering 175 basis points of hikes since May

That was taken as a dovish move by markets given Lowe had repeatedly stated the RBA Board wanted to get rates to a neutral level of at least 2.5 per cent, where it theoretically would neither stimulate nor retard economic growth.

Investors reacted by knocking the local dollar down 0.9 per cent to \$0.6963, while three-year bond futures climbed 11 ticks to 97.280 as the market trimmed bets on how far and fast rates would ultimately rise.

Swap markets lengthened the odds on another half point hike in September and shifted to imply a peak of around 3.31 per cent, down from 3.41 per cent before the RBA statement.

"The statement was on the dovish side of expectations, suggesting that the discussion at the September meeting may well move back to the 25bp or 50bp debate," said Adam Cole, a strategist at RBC Capital Markets.



Saplings of different fruit and flowering plants and trees being loaded onto a truck at Alangarkathi village of Pirojpur's Nesarabad upazila for transportation to Sylhet. Nurseries here provide saplings at wholesale, each selling for Tk 40 to Tk 250, to traders around the country. The photo was taken on Monday.

PHOTO: TITU DAS

After the Covid crisis, what's next for Opec+?

AFP, London

The Opec+ group of major oil-producing nations holds a key output meeting on Wednesday.

Here is a look at the cartel's current production agreement and its outcome as well as scenarios for the future as the group faces another challenge following Russia's invasion of Ukraine: Opec+ in April 2020 decided to drastically cut its output by 9.7 million barrels a day to stop the collapse of oil prices during the pandemic.

It worked: prices, which were slipping into negative territory, rose.

Faced with the recovery in demand, the alliance began to marginally increase output last year, agreeing to add some 400,000 barrels per day to the market.

It agreed to slightly increase production in June.

The group initially gave itself until April 2022 for a return to normal, before adding a few more months because of the pandemic's uncertainties.

"Technically, the deal runs through to end of the year," Matthew Holland, geopolitical analyst for research consultancy Energy Aspects.

But they "finished unwinding their cuts earlier than expected," he said.

"All the production cuts agreed in May 2020 will have been reversed again in August, at least on paper," said Carsten Fritsch, commodity analyst at Commerzbank.

The cartel regularly fails to meet its targets. The actual production volume in June was around 2.8 million barrels per day below the agreed level, according to the International Energy Agency.

According to Fritsch, "it is unlikely that this discrepancy can be reduced significantly in the two subsequent months".

Craig Erlam, analyst at OANDA trading platform, said there is "a lot of lost ground to make up".

Extended political crises as well as a lack of investment and maintenance during the pandemic is crippling oil infrastructure.

Several Opec+ countries like Angola and Nigeria cannot pump more, already seeming to be at maximum capacity.

Russian production has also fallen after Moscow was hit by Western sanctions over its war in Ukraine.

Only Saudi Arabia and the United Arab Emirates appear to have spare capacity.

But Riyadh, Opec's de facto leader,

said it was not ready to make up for the underperformance of the cartel's other members.

Any such action by Saudis, under pressure from the West fretting over soaring oil prices, could actually "jeopardise further cooperation with Russia", Fritsch warned.

The outcome of Wednesday's meeting is less predictable than previous gatherings.

Fritsch said the cartel could decide to raise production targets for September again "to close the gap between actual production and the originally agreed production volume".

The Commerzbank expert said this would allow Saudi Arabia and the UAE to further increase their production without violating the agreement.

Analysts expect an extension to the current deal, which stabilised the market during the pandemic.

For Energy Aspects analyst Holland, the Opec+ members could agree a multi-month deal running through to the end of 2022, "and then look to agree something much longer term in December".

The group will meet at its headquarters in Vienna in person for the first time since the pandemic, which led to monthly meetings held via video link.

Maersk sees global supply chain woes for longer

REUTERS, Copenhagen

Maersk raised its 2022 profit guidance for a second time on Tuesday after beating quarterly revenue expectations as congested global supply chains that have boosted freight rates persist longer than expected.

The shipping industry has seen record profits in recent quarters due to a surge in consumer demand and pandemic-related logjams holding up containers in key ports in China, Europe and the United States.

"Congestion in global supply chains leading to higher freight rates has continued longer than initially anticipated," Maersk said in a statement.

It now expects underlying earnings before interest, taxation, depreciation and amortisation (EBITDA) of around \$37 billion versus the \$30 billion it forecast earlier. Maersk had initially expected full-year EBITDA at \$24 billion.

The new guidance is based on a gradual normalisation in ocean container shipping in the fourth quarter of this year. Its previous guidance was based on that happening early in the second half of the year.

India will not slip into recession Says finance minister

REUTERS, New Delhi

India will not slip into recession or stagflation, Finance Minister Nirmala Sitharaman told parliament on Monday, after opposition parties raised concerns about rising inflation and its impact on the economy.

India's inflation has remained above its central bank's upper tolerance limit of 6 per cent since January, fuelled by rising commodity prices and war in Ukraine.

US crypto firm Nomad hit by \$190m theft

REUTERS, London

US crypto firm Nomad has been hit by a \$190 million theft, blockchain researchers said on Tuesday, the latest such heist to hit the digital asset sector this year.

Nomad said in a tweet that it was "aware of the incident" and was currently investigating, without giving further details or the value of the theft.

Crypto analytics firm PeckShield told Reuters \$190 million worth of users' cryptocurrencies were stolen, including ether and the stablecoin USDC. Other blockchain researchers put the figure at over \$150 million.

San Francisco-based Nomad did not immediately respond to a request for comment.



Kapila Liyanage, chief operating officer of the Commercial Bank of Ceylon PLC, and Ashwani Nayar, general manager of InterContinental Dhaka, exchange signed documents of a memorandum of understanding over lounge service benefits at the latter's office in Dhaka recently. Under the deal, the bank's cardholders and their guests will get benefits at the Balaka executive lounge of Hazrat Shahjalal International Airport while travelling.

PHOTO: COMMERCIAL BANK OF CEYLON PLC

RBI to raise key interest

FROM PAGE B4

quarter of respondents, 20 of 63, forecast a smaller 35 bp hike. About 22 per cent, 14 of 63, said 25 bps while the remaining three said 40 bps.

"The RBI should provide some clarity of thought, but when there's so much uncertainty, it's better not to come out with an expectation and then not able to match up to that," said Kunal Kundu, India economist at Societe Generale, who predicted a 50 bp rise.

A slim majority of economists, 35 of 63, saw the repo rate already reaching 5.75 per cent or higher by end-year, up 10 bps from a July poll, while the median expectation is for at least 6 per cent in the second quarter of next year.

The RBI has raised rates twice so far in this cycle, first catching markets off guard with a 40 bps hike at an unscheduled meeting, followed by 50 bps in June.

Kaushik Das, chief economist at Deutsche Bank, said the bank hoped the RBI would agree on the merits of front-loading rate hikes.

"The RBI can always reduce the

pace of rate hikes from September onwards if inflation and growth momentum softens, but we think it is a risky strategy at this stage to be an outlier in delivering less than 50 bp rate hikes." The outlook for next year was even less clear, with end-2023 forecasts ranging from 4.75 per cent to 6.75 per cent.

With the RBI a relative laggard in the global tightening cycle, India has seen heavy capital outflows, which have helped drag the rupee to lifetime lows close to 80 per US dollar.

With the dollar expected to remain strong in the short- to medium-term, the RBI has few options to defend the rupee without burning through foreign currency reserves.

Just over half of respondents, 20 of 38, who answered an additional question said the exchange rate is playing a larger than normal role in the RBI's interest rate deliberations.

"Front-loaded rate hikes by the RBI will be complementary to their FX intervention towards managing the rupee's exchange rate," said Sanjay Mathur, chief economist for Southeast Asia and India at ANZ.

Realtors go slow

FROM PAGE B4

One managing director of a real estate company says the discontinuation of the scope to legalise untaxed money by investing in the stock market might have some impacts on the sector.

He says the sales of high-end and large apartments would slow in the coming months as many investors would like to adopt a wait-and-see approach ahead of national elections.

"But the demand for mid-sized flats would be there since they can be rented out quickly in the highly populated Dhaka city. The rental

demand is very high," the managing director said.

People are a little bit tense because of the protracting war, the dragging pandemic, the dollar shortage, the fall in foreign currency reserves and the overall direction of the economy, he said.

"People mostly focus on negative news. So, sales might fall in the next few months."

REHAB's Alamin urged the government to ease the home loan process, saying only 2-3 per cent of borrowers in the category are defaulters.

Sanctions have huge toll

FROM PAGE B4

They also said they obtained unreleased data from experts on the Russian economy, and data in other languages which supported their conclusions.

Even if Russia is able to earn more foreign exchange on gas and oil exports, that has not offset the impact of Western sanctions.

And, they argue, the country's dependence on Europe to buy 83 per cent of its energy exports leaves it under a greater medium-term threat.

"Russia is far more dependent on Europe than Europe is on Russia," they said. Russia largely survived Western economic sanctions after Moscow's 2014 seizure of the Ukraine region of Crimea.

President Vladimir Putin pushed a program of replacing some imports with domestic products and built up a cushion of financial reserves.

But the country's industry remained heavily driven by foreign capital investment and the import of higher-tech inputs that Russia had not mastered, like semiconductors.

The barrage of deeper sanctions after the invasion took aim at both of those vulnerabilities, the report said.

Some 1,000 foreign companies halted their activities in the country, potentially impacting up to five million jobs, according to the report.

Industrial output plunged, and Russian retail sales and consumer spending have fallen at an annual rate of 15-20 per cent.

Imports have plunged across the board, the report said; crucial imports from China fell by more than half.

A key example of Russian problems, according to the report, is the automobile sector.

Car sales went from 100,000 a month to 27,000 a month, and output has stalled due to a lack of parts and machinery.

Without access to imported components, Russian producers are putting out cars without airbags or modern anti-lock brakes, and only with manual transmissions.

The report challenged the belief that the Russian economy was surviving thanks to the tens of billions of dollars the country reaps each month from oil and gas exports.

Last week the IMF said the Russian economy, though contracting, was doing better than expected due to its energy and commodity export income. The Yale report said data indicates energy revenues have been falling for the last three months.

If Western Europe succeeds in cutting itself off from Russian natural gas, Moscow faces an "unsolvable" situation with a lack of a market for its output, according to the report.



Abdul Wahed, chairman of DBL Group Ltd, cuts a ribbon to inaugurate a special yarn unit of Matin Spinning Mills PLC, a subsidiary of DBL Group, in Kashimpur, Gazipur on Monday. MA Jabbar, managing director of the group, MA Rahim, vice-chairman, MA Quader, director, and Shamsul Hasan, independent director, were present.

PHOTO: DBL GROUP

DBL's special yarn unit opens in Gazipur

STAR BUSINESS DESK

Matin Spinning Mills PLC, a subsidiary of DBL Group, launched its special yarn unit in Kashimpur of Gazipur on Monday.

The unit has a daily production capacity of 10 tonnes and will meet the growing demand for high quality yarn in the local market.

Abdul Wahed, chairman of DBL Group, inaugurated the unit, a press release said.

"The demand for special yarn

is on the rise in Bangladesh and the world. The high value products will bring better revenue for the company," he said.

The unit will be one of the most modern spinning mills in Bangladesh having machinery from Rieter and Luwa of Switzerland, and Toyota and Murata of Japan.

MA Jabbar, managing director of DBL Group, MA Rahim, vice-chairman, MA Quader, a director, and Shamsul Hasan, an independent director, were present.



Mohammed Monirul Moula, managing director of Islami Bank Bangladesh, inaugurates the bank's monthlong campaign "All of Your Banking Through Fin Tech" at Islami Bank Tower in Dhaka on Monday. Md Mostafizur Rahman Siddiquee, AFM Kamaluddin, Md Nayer Azam, Md Siddiqueur Rahman, Mohammad Jamal Uddin Mazumder, and Mohammed Shabbir, deputy managing directors of the bank, were present.

PHOTO: IBBL