Brussels accuses Russia of inventing excuses to cut gas

AFP, *Brussels*

EU sanctions against Russia do nothing to prevent the delivery of pipeline turbine, an EU spokesman said Friday, accusing Moscow of fabricating an excuse to cut off gas supplies.

Russian energy giant Gazprom said on Wednesday that the delivery of a turbine needed to keep gas flowing to Europe via the Nord Stream 1 pipeline was "impossible" due to international sanctions But Eric Mamer, spokesman for the European Commission, dismissed this and accused Moscow of using energy supplies as a lever to blackmail Europe over its opposition to the invasion of Ukraine.

"There is nothing in the sanctions that prohibits the turbine, the Siemens turbine that is currently meant to go to Russia, to go there," Mamer told reporters.

The European economy, and in particular Germany's energy and chemicals industries, is highly dependent on deliveries of natural gas from Russian fields

"Anything else that is being said on the issue is purely and simply wrong ... and anything that the Russians are saying on this is basically an excuse not to not to provide gas to the European Union."

Earlier this week, Germany's Chancellor Olaf Scholz accused Russia of blocking the delivery of the key turbine to throttle gas supplies to Europe.

But Gazprom said the delivery was impossible, because of "sanctions regimes in Canada, in the European Union and in Britain".

Gazprom has already blamed an initial reduction in gas deliveries via the Nord Stream 1 gas pipeline in June, on a delayed return of the turbine from Canada, where the unit was being serviced.

It is now in Germany, but the firm is still insisting it needs a sanctions waiver to accept its return.

Mamer, citing previous comments by European Commission chief Ursula von der Leyen, said "of course there is blackmail on the side of Russia when it comes to the supply of energy to the European Union."

The European economy, and in particular Germany's energy and chemicals industries, is highly dependent on deliveries of natural gas from Russian fields.

Artisans carve items used in home decor, including flower vases and penholders, alongside cooking utensils made out of wood from mahogany and gum arabic trees, getting Tk 350 to Tk 400 for a day's work. The photo was taken at Baitul Falah Mor in Khalishpur of Khulna city recently. PHOTO: HABIBUR RAHMAN

US labour market defies recession fears

REUTERS, *Washington*

US job growth unexpectedly accelerated in July, lifting the level of employment above its pre-pandemic level and pouring cold water on fears the economy was in recession.

The Labor Department's closely watched employment report on Friday also showed employers continuing to raise wages at a strong clip and generally maintaining longer hours for workers. The sustained labor market strength could give the Federal Reserve the latitude to keep aggressively hiking interest rates.

"If the US economy is in a recession, no one seems to have told employers," said Sarah House, a senior economist at Wells Fargo in Charlotte, North Carolina. "We suspect this data will give the Fed the confidence it needs to push ahead aggressively with its fight against inflation."

Nonfarm payrolls increased by 528,000 jobs last month, the largest gain since February, the survey of establishments showed. Data for June was revised higher to show 398,000 jobs created instead of the previously reported 372,000. July marked the 19th straight month of payrolls expansion, and blew off economists' expectations for a gain of only 250,000 jobs.

Estimates in the Reuters survey for the number of jobs gained ranged from a low of 75,000 to a high of 325,000.

The labor market has now recouped all the jobs lost during the Covid-19 pandemic, though government employment remains about 597,000 jobs in the hole. Overall employment is now 32,000 jobs higher than in February 2020.

It took just under 2-1/2 years to recover all the jobs compared to at least six years after the 2007-2009 Great Recession.

The Fed last week raised its policy rate by three-quarters of a percentage point and officials have pledged more hikes are coming as the US central bank tries to rein in inflation. Annual consumer prices are rising at their fastest pace in four decades. Since March, the Fed has lifted its benchmark overnight interest rate from near zero to a range of 2.25 per cent to 2.50 per cent.

"The Fed is looking increasingly likely to be able to maintain its current trajectory without constantly looking over its shoulder, making it the envy of world economies who are all enduring the same knife-edge balancing act at the moment," said James Bentley, a company director at Financial Markets Online.

US gross domestic product declined in the first and second quarters, meeting the standard definition of a recession. The economy's 1.3 per cent contraction in the first half of the year was mostly because of big swings in inventories and the trade deficit tied to snarled global supply chains.

The National Bureau of Economic Research, the official arbiter of recessions in the United States, defines a recession as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators."

But even with July's robust jobs gains, some cracks are forming in the labor market. Businesses in the interest-rate-sensitive housing, finance, technology and retail sectors are laying off workers. Still, with 10.7 million job openings at the end of June and 1.8 openings for every unemployed person, a sharp deceleration in payrolls growth is unlikely this year.

Stocks on Wall Street were trading lower. The dollar rallied against a basket of currencies. US Treasury prices fell.

The broad job gains last month were led by the leisure and hospitality industry, which added 96,000 positions, most of them at restaurants and bars. But leisure and hospitality employment remain down by 1.2 million from its February 2020 level.

Brac Bank, Brac University sign deal

STAR BUSINESS DESK

Brac Bank recently signed an agreement with Brac University to launch a comprehensive "Entrepreneur Accelerator Programme" aimed at helping aspiring women entrepreneurs become successful in business.

Syed Abdul Momen, deputy managing director of Brac Bank, and Prof Vincent Chang, vice-chancellor of Brac University, inked the deal at the former's head office in Dhaka, a press release said.

"With this accelerator programme, we aim to help SMEs and women entrepreneurs grow by up-scaling their businesses. ...We have plans to scale up this initiative and reach out to far-flung areas of the country," said Momen.

"We think this collaboration will benefit the up-and-coming entrepreneurs to shine in business. We have prepared a comprehensive module that will provide necessary skill sets required to run business in today's world," said Chang.

Prof Sang H Lee, dean of Brac Business School at the university, and Mahiul Islam, head of retail banking at the bank, were present.

Germans must cut gas use: regulator

REUTERS, *Berlin*

People in Germany have to save at least 20 per cent of their energy consumption to avoid a gas shortage by December due to falling Russian gas flows, Germany's network regulator head Klaus Mueller said.

Russia's Gazprom has cut gas flows to Germany through the Nord Stream 1 pipeline to 20 per cent of capacity, raising pressure on Europe's biggest economy to save gas for winter.

Mueller said Germany should also cut its gas exports to neighbouring countries by 20 per cent, and import 10 to 15 Gigawatt hours (Gwh)of gas to avoid shortages.

"If we don't save a lot and don't get any additional gas, we'll have a problem," Mueller said in an interview with Welt am Sonntag newspaper published on Saturday.

BoE trying to keep flexibility on rates

Says chief economist

REUTERS, *London*

The Bank of England is trying to maintain flexibility on its options for changing interest rates and investors should not assume it is set to do more big rate hikes, BoE Chief Economist Huw Pill said on Friday.

"We're trying to ensure there's an element of flexibility .... Given the uncertainties we face, I think we need flexibility either to go further, or to stay where we are, and the pace at which we go further to be varied according to circumstances," Pill told Bloomberg Television.

He said investors should not assume the BoE would raise rates by a further 50 basis points in September after it increased Bank Rate by that much on Thursday.

Crisis and measures: past and present

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The impact was a loss of employment, income, less flow of remittances and export earnings and a slowdown in domestic service and manufacturing activities. This time also global commodity and energy markets have slumped due to demand shortfall and supply chain crisis.

The government has taken fiscal and monetary policy measures, including various stimulus packages, targeting the domestic economy in order to support those who lost their jobs, investment and production. Country-wide vaccination programme against infections at the micro level has been well-appreciated. Despite various shortcomings, the support measures are considered to be effective for the targeted people, sectors and activities.

Global economies either individually or collectively have taken measures to address the crisis. Hence, the recovery phase of the crisis started rather quickly, particularly through the implementation of the vaccination programme successfully across the world. However, the covid-related challenges are still not over.

CURRENT ENERGY-INDUCED MACROECONOMIC CRISIS

The macroeconomic crisis has impacted the world economies adversely mainly at the macroeconomic level, with having destabilising elements. Unlike in the past, a major element of the crisis is the volatile energy market.

Rising commodity prices in the world due to the disruption in the supply chain of raw materials, rising shipment costs, and a spike in demand for finished consumer goods have had an inflationary impact on global economies.

The crisis has impacted the developing economies severely, threatening their macroeconomic stability, while the crisis for the developed economies is, rather of, limited in nature.

In addition, the economies are facing the challenges of inflationary pressure. However, the current macroeconomic instability in developing countries owing to weakening foreign exchange reserves overwhelmed countries' inflationary concerns. In other words, the crisis-related challenges are largely macro in nature and the measures to be addressed are to be targeted accordingly.

WHAT IS BANGLADESH DOING TO TACKLE CURRENT CRISIS

In Bangladesh, most of the measures that have been undertaken are either micro or meso-level measures. Micro-level measures include discouraging the import of expensive consumer products, nationwide load-shedding and the reduction of export retention quota to enhance the domestic supply of foreign exchanges.

Meso-level measures include discouraging the import by making mandatory prior approval for the import worth of minimum \$5 million, discouraging the public sector to purchase vehicles and officials to go abroad for official travel, and planning to ration energy use in the transport sector.

A large part of these measures could address micro and meso level concerns of the present crisis. Moreover, these measures are of short-term in nature unless designed properly.

There is a popular belief that the rise in domestic production through import-substituting measures would significantly contribute to domestic production. It is important to understand whether Bangladesh really has comparative advantages in the production of all kinds of crops.

For example, Bangladesh does not have an adequate comparative advantage in the production of soybean.

Another proposal is to go for the currency swap in order to avoid the use of US dollars. Such measures would not be effective given the volatile exchange rate situation of the currencies. Most importantly, such measures are largely unwelcome during the time of crisis.

We may encourage sectoral measures such as the rise in domestic production in order to reduce the dependence on the global commodity market. However, we need to import some of the essential consumer goods due to a lack of domestic production. Hence, our primary focus should be to ensure a stable forex reserve and take measures accordingly.

Bangladesh should target both stabilising the forex market and undertaking reform measures responsible for weakening the forex reserves. This is mainly related to the energy market where medium to long-term reform measures are essential.

In order to stabilise the forex reserves, a long-term credit support sought from the International Monetary Fund (\$4.5 billion), budgetary support from the World Bank (\$1 billion), and also from the Asian Development Bank or the Asian Infrastructure Investment Bank. These measures will address the medium-term crisis.

To get the loans, Bangladesh needs to undertake long-term reform measures such as subsidy management, withdraw capacity payment for power production, develop clean energy, and ensure market-based operation in exchange rate and interest rate.

But instead of doing these, the government has increased the price of Urea fertilizer, diesel, petrol and kerosene as part of the subsidy rationalisation. Such measures would partly reduce the subsidy pressure at the expense of the rising cost of production in agriculture, manufacturing, services and power generation and consequent higher inflationary pressure on consumers.

The subsidy rationalisation should be carried out by withdrawing the capacity payment by moving toward the principle of 'no electricity no pay'. Moreover, power generation using LNG, which is very costly and is likely to be costlier in the coming months, should be discouraged. A significant amount of forex reserves is required to purchase LNG.

Alternatively, the government should go for renewable energy-fueled power generation based on foreign investments or loans.

The author is the research director of the Centre for Policy Dialogue.

Global rice supplies

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"We are now witnessing weather-related setbacks in some key rice producing countries, including India, China and Bangladesh, which could result in lower output if conditions don't improve in the next few weeks," Mustafa added.

India's top rice producing states of Bihar, Jharkhand, West Bengal and Uttar Pradesh have recorded a monsoon rainfall deficit of as much as 45 per cent so far this season, data from the state-run weather department shows.

That has in part led to a 13 per cent drop in rice planting this year, which could result in production falling by 10 million tonnes or around 8 per cent from last year, said BV Krishna Rao, president of the All India Rice Exporters Association.

The area under rice cultivation is down also because some farmers shifted to pulses and oilseeds, Rao said.

India's summer-sown rice accounts for more than 85 per cent of its annual production, which jumped to a record 129.66 million tonnes in the crop year to June 2022.

"A production drop is certain, but the big question is how the government will react," a Mumbai-based dealer with a global trading firm said.

Milled and paddy rice stocks in India as of July 1 totalled 55 million tonnes, versus the target of 13.54 million tonnes.

That has kept rice prices down in the past year together with India's record 21.5 million tonnes shipment in 2021, which was more than the total shipped by the world's next four biggest exporters – Thailand, Vietnam, Pakistan and the United States.

"But the government is hypersensitive about prices. A small rise could prompt it to impose export curbs," the trader said.

In Vietnam, rains during harvest have damaged grain quality.

"Never before have I seen it rain that much during harvest. It's just abnormal," said Tran Cong Dang, a 50-year-old farmer based in the Mekong Delta province of Bac Lieu.

Ziaul Hasan Siddiqui, chairman of Sonali Investment Ltd, a subsidiary of Sonali Bank, presides over the company's 12th annual general meeting on Thursday. The meeting approved 1 per cent cash and 9 per cent stock dividends for the year that ended on December 31, 2021. Md Ataur Rahman Prodhan, managing director of the bank, Shihab Uddin Ahmad, senior assistant secretary of financial institutions division at the ministry of finance, and Md Shawkat Jahan Khan, chief executive officer of Sonali Bank Investment, were present. PHOTO: SONALI BANK

Md Mafizur Rahman, managing director of SME Foundation, and Md Monzur Mofiz, managing director of One Bank, exchange signed documents of an agreement over financing for small and medium enterprises with 4 per cent interest rate under a revolving credit fund worth Tk 400 crore to assist the economic recovery of post-pandemic period at the Pan Pacific Sonargaon Dhaka in the capital recently. PHOTO: ONE BANK

Mamoon Mahmood Shah, managing director of NRB Bank, cuts a cake to celebrate the bank's 9th founding anniversary at its corporate head office in Dhaka on Thursday. Md Mukhter Hossain, adviser of the bank, Md Shakir Amin Chowdhury, Kazi Ahsan Khalil and Md Shaheen Howlader, deputy managing directors, were present. PHOTO: NRB BANK