# Japan's economy stages modest bounce from Covid-19 jitters

**REUTERS**, *Tokyo*

Japan's economy rebounded at a slower-than-expected pace in the second quarter from a Covid-induced slump, data showed on Monday, highlighting uncertainty on whether consumption will grow enough to bolster a much-delayed, fragile recovery.

A revival in Japan, like many other economies, has been hobbled by the Ukraine war and surging prices of commodities even as rising consumption propped up growth in April-June.

"Consumption and capital expenditure will continue to drive growth in July-September. But momentum may not be that strong as rising inflation is cooling household spending," said Atsushi Takeda, chief economist at Itochu Economic Research Institute.

"While domestic demand may continue to expand, falling exports could put a brake on Japan's recovery," he said.

Indeed, Japan's outlook has been clouded by a resurgence in Covid infections, slowing global growth, supply constraints and rising raw material prices that are boosting households' living costs.

# Chinese NYSE delistings to pave way for audit deal with US: analysts

**REUTERS**, *Hong Kong*

The move to delist five Chinese state-owned enterprises (SOEs) from the New York Stock Exchange (NYSE) could pave the way for Beijing to strike an audit deal with the United States, ending a more than decade-old dispute, analysts and advisers said on Monday.

The five SOEs including oil major Sinopec (600028.SS) and China Life Insurance (601628.SS), whose audits have been under scrutiny by the U.S. securities regulator, said on Friday they would voluntarily delist from the NYSE.

The US Securities and Exchange Commission (SEC) had in May flagged the five and many others as failing to meet US auditing standards, and the delisting signals China could compromise on allowing US auditors to access the accounts of private Chinese companies listed in the United States, some analysts said.

Five-year-old Jannatul picks onions dropped during the unloading of sacks from railway wagons bringing the imports from India. Keeping some for her family's consumption, her mother sells off the rest. The photo was taken at Noapara railway station in Jashore recently.
PHOTO: HABIBUR RAHMAN

# How China manages refined fuel exports

**REUTERS**, *Singapore*

China's refined fuel exports are likely to sink in 2022 to the lowest in seven years as the country seeks to maintain ample domestic supplies while refinery output posts a rare decline.

Regional rivals like India and South Korea are the probable primary beneficiaries of China's export cuts, which allow them to step up to fill shortages in Europe and elsewhere after the Ukraine crisis strained global fuel markets.

Beijing manages exports of gasoline, diesel and jet fuel under a quota system, issuing several batches of allocations over a year and viewing product shipments to global markets as a tool to manage domestic supply and demand balances.

Most quotas go to state oil groups, including China National Petroleum Corp, China Petrochemical Corp, China National Offshore Oil Corp, Sinochem Holdings and China National Aviation Fuel Company. Mega refiner Zhejiang Petrochemical Corp is the only private company with export allowances.

Through 2019 the government specified quotas by product, but since then it has allowed exporters to decide what to export from a general allocation.

Exports of very low sulphur fuel oil, a marine fuel that meets International Maritime Organization standards, are managed under a separate quota system. Bunker fuel volumes from bonded zones - which are considered as exports - have been rising since 2020 as China works to build its eastern port of Zhoushan into a regional shipping fuel hub that rivals Singapore.

China's exports of diesel, gasoline and jet fuel peaked in 2019 at 55.4 million tonnes, with diesel accounting for nearly 40 per cent of the total, according to Chinese customs data.

Total exports started trending lower from 2020 as the Covid-19 pandemic hit global fuel demand.

Beijing began adjusting its fuel export policy from late 2021, roughly reducing quota volumes by 40 per cent so far in 2022.

The sharp reduction in exports was triggered by Beijing's concern over a domestic supply crunch similar to that for thermal coal which led to widespread power cuts.

The government is also keen to remove small, inefficient refining capacities to cut pollution and carbon emissions, and that has fed into China's lower throughput this year so far.

China's July refinery runs fell to their lowest in more than two years, data showed on Monday, with year-to-date volumes down 6.3 per cent from a year earlier.

China has so far issued 22.5 million tonnes of quotas for the three main fuel products for this year, 40 per cent below the corresponding period of 2021.

The second and third batches of quotas came only in June and July after refiners lobbied Beijing to help ease brimming domestic stocks amid Covid-19 disruption to fuel consumption.

That left China largely missing out on a bumper export market in the second quarter when Asian refining margins for diesel and gasoline hit record highs around $72 and $38 a barrel, respectively.

Domestic demand for diesel is set to rebound in September and October as China's harvest gets started and construction activities pick up, while a tax probe into independent refiners is expected to limit production of exportable fuel supplies during the rest of 2022.

# Rouble falls past 61 vs dollar

**REUTERS**, *Moscow*

The rouble slid past 61 to the dollar on Monday as the conversion of depository receipts in Russian companies to local shares got underway, and as foreign investors from designated "friendly" countries were able to return to the bond market.

At 1029 GMT, the rouble was 1.5 per cent weaker against the dollar at 61.49, leaving the narrow range between 59.45 and 61.45 where it had spent nine trading session in a row.

It eased 0.2 per cent to 62.44 against the euro.

Rouble volatility has declined recently after wild swings which saw it hit a record low of 121.53 to the dollar on the Moscow Exchange in March, days after Russia sent tens of thousands of troops into Ukraine on February 24, and then rally to a seven-year peak of 50.01 in June.

The rouble is expected to find support from month-end tax payments that usually prompt export-focused companies to convert part of their foreign currency revenues.

On stock markets, the dollar-denominated RTS index (.IRTS) fell 1.4 per cent to 1,100.2 points, while the rouble-based MOEX Russian index was flat at 2,147.6 points.

# Germans face big energy levy

**AFP**, *Berlin*

German households face an energy surcharge reaching hundreds of euros in the wake of the Ukraine war, according to the rate published Monday, prompting the government to promise relief measures.

The charge has been set at 2.419 cents per kilowatt hour, Trading Hub Europe, a non-profit company of energy network operators in Germany, said.

For a family of four with an annual average energy usage of 20,000 kwh, this would come to about 483.80 euros ($493.70) before goods and services taxes.

The surcharge is aimed at sharing out the soaring costs borne by energy importers after Russia drastically curtailed gas supplies to Germany after the invasion of Ukraine.

# Malaysia Airlines to buy 20 Airbus jets

**AFP**, *Paris*

Malaysia Airlines has agreed to acquire 20 Airbus A330neo planes to update its fleet of widebody jets, the European aircraft-maker said Monday.

Under the deal, the southeast Asian airline will buy 10 planes from Airbus and lease the 10 others from Avolon, a Dublin-based aircraft leasing company.

No figures were released for the transaction, but the plane was worth $296.4 million according to the last published catalogue prices in 2018. Airlines usually pay less than the listed prices.

The more fuel-efficient A330neo will gradually replace 21 older-generation A330ceo planes in the Malaysia Airlines fleet. The A330neo is powered by Rolls-Royce Trent 7000 engines.

# Curbing money laundering

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trades, investigate cases referred by different agencies, monitor the cost of publicly funded projects, and evaluate information gathered from the public, newspapers and social media. In that process, the system will identify TBML attempts, financial frauds, tax evasions, and corruption. Here is a hypothetical example:

During routine observation, the AML system detects a letter of credit (LC) with an inflated price. It senses a case of over-invoicing and decides to conduct an investigation in depth.

The system finds that a few years back the LC opener had a big public-funded project. Subsequently, the total asset of LC opener's wife increased 100 times. Her assets include cash in different bank accounts, company shares and real estate properties, and none of these was declared in her tax return.

Hence the AML system marks that as a case of corruption, tax evasion and attempted TBML. In this investigation, the system matched the relevant information from all departments with public-funded projects, customs, banks, share-trading agents, the land registry department, and the tax department. The whole investigation was completed in minutes.

The scope of the AML system is very large. The agile software development methodology is a process of building such systems incrementally. A minimum workable solution is built quickly, which is gradually expanded over a period of time.

The first version of the AML system can integrate information and scenarios of the Credit Information Bureau of Bangladesh and help commercial banks in identifying customers, loan defaulters and verifying clients' credit worthiness.

The Bangladesh Financial Intelligence Unit has guidelines for the prevention of TBML. These guidelines can be the starting point in crafting the initial set of rules and scenarios.

Once programmed, banks would be able to send all trade-related transactions to the system for identifying suspected TBML cases. Data from other agencies and their relevant rules and scenarios can be included subsequently until a fully functional AI-powered AML system comes into being.

Many experts claim that big corruptions in Bangladesh happen by defaulting bank loans, tax evasions and misappropriating publicly funded projects. The AML system can first look into these areas on a priority basis.

*The author is an IT specialist and certified professional of the Australian Computer Society.*

# Petroleum remains

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"The temporary loss could have been covered if the government removed customs duty and other taxes at the import stage," he said.

According to Hossain, the price hike has affected all sectors, with the price of essential commodities reaching unbearable levels due to the increase in the price of fuel oil.

Petroleum has been one of the biggest sources of revenue for the NBR at the import stage for the last couple of years.

Data from the Custom House, Chattogram showed that it used to collect 17 per cent of its revenue from such fuel oils annually as of FY21. The share of petroleum in revenue collection rose to 21 per cent in FY22.

In addition, the customs authorities collected duties from the private power plants that directly import diesel.

Some 34 per cent import tariff, including a 10 per cent customs duty, 15 per cent VAT, and 2 per cent advance income tax, has to be paid on four products -- furnace oil, jet fuel, diesel, and motor spirit of High-Octane Blending Component or octane.

Similarly, 49 per cent duty is payable on lubricating oil, 28 per cent duty on crude fuel oil, and 31 per cent on base oil.

The tariff rate does not depend on the increase or decrease in the price of these products in the international market. Customs collects revenue by charging a duty of $265 per tonne of furnace oil regardless of the import price.

Similarly, jet fuel, diesel and octane face a fixed assessment rate of 40 cents per litre.

CPD Research Director Khondaker Golam Moazzem said, "There was no need to increase the price of fuel oil if the government only exempted VAT and tax at the import stage."

The finance ministry and the NBR did not want to exempt it due to major revenue generation from fuel products, he said.

"The negative impact on the economy will be many times greater than any government exemption in revenue collection from those products," he said.

The economist says no research has ever been carried out on the extent of the impact on the country's commodity economy and the financial loss due to the increase in the price of fuel oils.

"There is still an opportunity to reduce the price of fuel by giving revenue concessions at the import stage in these sectors. Otherwise, it is not possible to offset the negative impact on the economy even with the higher subsidies given by the government."

A top official of the BPC said they had requested the NBR and the finance ministry to reduce the duty at the import stage but neither agreed to it. As a result, there was no option but to increase the price, said the official.

A member of the NBR says a major part of the board's revenue collection comes from fuel products but the NBR has no objection if the government wants it.

"Because at the end of the day, all the revenue goes to the government treasury. We only keep track of it," he said.

# China unexpectedly cuts

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the yuan weakened to a one-week low against the dollar and the Australian and New Zealand currencies pulled back from their recent two-month highs.

China's economy narrowly escaped a contraction in the June quarter, hobbled by the lockdown of the commercial hub of Shanghai, a deepening downturn in the property market and persistently soft consumer spending.

Risks still abound as many Chinese cities, including manufacturing hubs and popular tourist spots, imposed lockdown measures in July after fresh outbreaks of the more transmissible Omicron variant of the coronavirus were found.

The property sector, which has been further rocked by a mortgage boycott that weighed on buyer sentiment, deteriorated in July. Property investment tumbled 12.3 per cent last month, the fastest rate this year, while the drop in new sales deepened to 28.9 per cent.

Nie Wen, Shanghai-based economist at Hwabao Trust, lowered his forecast for the third-quarter gross domestic product growth by 1 percentage point to 4-4.5 per cent, after the weaker-than-expected data.

ING also cut their forecast for China's 2022 GDP growth to 4 per cent from 4.4 per cent previously, and warned a further downgrade is possible, depending on the strength in exports.

To prop up growth, the central bank on Monday unexpectedly lowered interest rates on key lending facilities for the second time this year. Analysts expect the cut is likely to lead to a corresponding reduction in benchmark lending rates next week.

Many believe the room for the People's Bank of China to ease policy further could be limited by worries about capital outflows, as the US Federal Reserve, and other economies, aggressively raise interest rates to fight soaring inflation.

"Very sluggish credit demand in July on the back of weak activity growth, further deterioration in property indicators and lower-than-expected CPI inflation might have contributed to the PBOC's move," said analysts at Goldman Sachs.

"Going forward, whether PBOC would cut interest rates again could be data-dependent in our view." Official figures on Friday showed new yuan loans tumbled by more than expected in July, as companies and consumers stayed wary of taking on debt.

Chinese policymakers are trying balance the need to shore up a fragile recovery and eradicate new Covid-19 clusters. As a result, the economy is expected to miss its official growth target this year - set at around 5.5 per cent - for the first time since 2015.

In eastern Zhejiang province, the city of Yiwu, a key global supplier of small and cheap products, has been wrestling with Covid-related disruptions on and off since July. Many parts of Yiwu have been thrown into an extended lockdown since August 11.

# China's 2022 fuel exports

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commodities consultancy JLC showed.

"The higher (diesel) sales come at an inopportune time ... with India poised to raise exports as it seeks to reverse its current account deficit, while South Korea has been plagued with surplus diesel," said Refinitiv analyst Zameer Yusof.

Exports of gasoline, diesel and jet fuel combined are pegged at 2.4 million to 2.6 million tonnes for August, near China's highest so far this year, according to JLC and a trading source.

These higher exports have worked to cool Asia's refining profits from the records of June. read more

Still, China's annual exports of diesel, gasoline and aviation fuel are forecast to drop 30 per cent-40 per cent from 2021 to between 23 million and 27 million tonnes, according to consultancies Energy Aspects and JLC. That would be the lowest since 2015.

This suggests monthly exports will hold near the recent pace over the rest of 2022 as China has already exported nearly 12 million tonnes of products in the first half.

"Capturing short-term export profits is not the government's priority, maintaining ample supplies at home and containing domestic inflation is," said a Beijing-based trading executive.

Beijing has issued fuel export quotas of 22.5 million tonnes so far in 2022 and may not issue more amid a tax probe into independent refiners and ahead of a seasonal demand peak in September and October that will tighten domestic supplies, JLC said in a note.

JLC expects 2022 diesel exports to shrink by 74 per cent from 2021 to 4.5 million tonnes and gasoline to fall nearly 40 per cent to 9 million tonnes.

# Iran's top automaker

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Iran Khodro had previously exported vehicles to Russia, notably between 2007 and 2009, Iranian media said.

Sunday's announcement comes after Russian President Vladimir Putin visited Tehran in July and met his Iranian counterpart Ebrahim Raisi and supreme leader Ayatollah Ali Khamenei.

Russia has come under increasingly tough sanctions since its February invasion of Ukraine, while Iran has faced stringent sanctions reimposed in 2018 when the United States unilaterally pulled out of a nuclear deal between Tehran and world powers.

The two countries have responded to the sanctions by boosting cooperation in key areas to help prop up their economies. Iran Khodro's vice president, Kianoush Pourmojib, struck an optimistic note on Sunday, pointing to increased exports to Azerbaijan over the past five years.