Euro zone Q2 growth revised down slightly

REUTERS, *Brussels*

Euro zone economic growth was slightly less robust in the second quarter than forecast but still strong, and employment rose again, revised data from the European statistics office showed on Wednesday.

Eurostat said gross domestic product in the 19 countries using the euro rose 0.6 per cent quarter-on-quarter in April-June for a 3.9 per cent year-on-year rise. The office had previously estimated the quarterly growth at 0.7 per cent and the year-on-year rise at 4.0 per cent.

"This is still a solid outturn (outcome) which leaves the GDP figures painting a flattering picture of growth dynamics in H1 2022," said Ricardo Amaro, economist at Oxford Economics.

But economists believe the second quarter growth might be the economy's last hurrah before ever-higher inflation and supply chain problems cause a mild recession over the course of the next 12 months.

China firm to supply batteries to BMW

REUTERS, *Shanghai*

China's EVE Energy Co Ltd will supply BMW with large cylindrical batteries for its electric cars in Europe, two people with knowledge of the matter said, as the German automaker follows Tesla Inc in adopting the new technology.

EVE has signed contracts to be BMW's primary supplier of the battery cells in Europe for its new series of electric vehicles due to hit the market from 2025, said one of the people who has direct knowledge of the deal.

Tesla this year started manufacturing its new larger-format 4680 cylindrical battery - denoting 46 millimetres in diameter and 80 millimetres in length. It has said it expects the battery to lower production costs and improve range compared to the current-generation 2170 cylindrical battery.

Guangdong-based EVE's batteries will be similar in size, said the sources, who were not authorised to speak to media and declined to be identified.

Company filings also show EVE is planning a large cylindrical battery plant in central China.

EVE, a supplier to BMW in China, did not directly address Reuters queries when asked for comment.

Some 50 engine-run boats enable commuting between Barishal city and Kawwar Char over the Kirtankhola river, with each person being charged Tk 5 for the ride taking anywhere from 5 minutes to 10 minutes. With some 50,000 people availing the service daily, the 105 boatmen engaged here each earn around Tk 1,100 to Tk 1,200 a day, around half or more of which goes behind expenses while the rest is profit.

PHOTO: TITU DAS

China cenbank hemmed-in by inflation, Fed jitters

REUTERS, *Beijing*

China's central bank is set to take more easing steps, pressured by a shaky economy that is undercutting jobs, but it faces limited room to manoeuvre due to worries over rising inflation and capital flight, policy insiders and analysts said.

Analysts now expect cuts in the country's benchmark lending rates as early as Monday, after the People's Bank of China (PBOC) unexpectedly lowered two key rates this week as data showed the economy unexpectedly slowed in July.

But the PBOC is walking a tightrope -- seeking to support the Covid-ravaged economy while avoiding massive stimulus that could add to inflationary pressures and risk outflows from China's struggling stock and bond markets, as the U.S. Federal Reserve, and other economies, aggressively raise interest rates.

China's economy narrowly avoided contracting in the second quarter amid widespread lockdowns and a deepening property crisis, which have badly damaged consumer and business confidence, and Covid cases have rebounded again in recent weeks. Nomura estimates 22 cities are currently in full or partial lockdowns, making up 8.8 per cent of GDP.

"Currently, the main problem that China faces is slowing economic growth, safeguarding growth is the top priority," Yu Yongding, an influential government economist who previously advised the PBOC, told Reuters.

"What we should do is to continue to adopt expansionary fiscal and monetary policy, including cutting interest rates," he said.

China is likely to cut its benchmark lending rate for companies and home buyers, known as the loan prime rate (LPR), at its next setting on Aug. 22, policy insiders and analysts said.

Shortly before weak data was released on Monday, the PBOC unexpectedly cut the rate on its medium-term lending facility (MLF) for the second time this year, by 10 basis points. It also cut its reverse repo rate by the same margin. Both were already at record lows.

"The rate cut is not enough - we should step up easing," said a government adviser who spoke on condition of anonymity.

However, the central bank is unlikely to cut banks' reserve requirement ratio (RRR), a traditional tool to boost liquidity, any time soon, given the financial system is already awash with cash, China watchers said.

The central bank already has slashed the average RRR level to 8.1 per cent from 14.9 per cent in early 2018, pumping a staggering 9 trillion yuan ($1.33 trillion) into the economy.

The PBOC may instead use structural policy tools, such as low-cost loans, to give targeted support to ailing small firms and sectors favoured by state policies, they said.

The sputtering of the world's second-largest economy comes at an inopportune moment for President Xi Jinping, who is poised to secure a precedent-breaking third leadership term at a once-in-five-years congress of the Communist Party later this year.

Of particular concern, youth unemployment has remained stubbornly high, reaching a record 19.9 per cent in July, while the nationwide survey-based jobless rate has eased slightly but remains elevated at 5.4 per cent.

On Tuesday, Premier Li Keqiang said that Beijing will step up policy support for the economy and take more steps to spur consumption and investment.

Even then, some analysts said modest rate cuts may only help at the margin if companies and consumers remain wary of taking on more debt. New bank lending in China in July fell more than expected and was less than a quarter of the level in June.

China's leaders have recently downplayed the necessity of hitting the government's annual growth target of "around" 5.5 per cent, which was widely seen as out of reach.

Swedish to get compensation for high power costs

AFP, *Stockholm*

Sweden's government on Wednesday vowed to compensate households and companies for soaring electricity costs in the wake of the Ukraine war, to the tune of up to 60 billion kronor ($5.76 billion).

At least half of the amount was to go to households who could expect to be compensated "this winter", Prime Minister Magdalena Andersson told reporters.

"We have electricity and gas prices at a level we've never seen before", she said.

On Wednesday, electricity on the Nordpool market hit a record 5.69 kronor per kilowatt hour in southern Sweden. It was expected to fall back slightly to 5.50 kronor on Thursday.

Swedish electricity prices have soared after Russia drastically curtailed gas supplies to Europe following its invasion of Ukraine.

NZ signals intense monetary tightening

REUTERS, *Wellington*

New Zealand's central bank on Wednesday delivered its seventh straight interest rate hike and signalled a more hawkish tightening path over coming months to rein in stubbornly high inflation.

The aggressive tone of the Reserve Bank of New Zealand's (RBNZ) statement warning of future hikes being brought forward caught some traders by surprise, lifting the local dollar and sending swap rates higher.

The RBNZ raised the official cash rate (OCR) by 50 basis points to 3.0 per cent as expected, a level not seen since September 2015, and crucially, it now sees rates at 4.0 per cent by early next year, compared to a previous projection of 3.7 per cent.

Wednesday fourth straight 50-bps hike, along with earlier smaller increases that lifted the cash rate from a record low of 0.25 per cent in October, marked the most aggressive tightening by the central bank since 1999.

Canada inflation edges down

AFP, *Montreal*

Inflation in Canada eased off slightly in July from its blistering pace thanks in part to lower fuel prices, but food costs continued to soar, government data released Tuesday showed.

Inflation stood at 7.6 per cent year-on-year after peaking at a four-decade high of 8.1 per cent in June, according to Statistics Canada.

On a monthly basis, consumer prices rose 0.1 per cent in July, the seventh consecutive monthly increase.

"Consumers paid 9.2 per cent less for gasoline in July compared with the previous month, the largest monthly decline since April 2020," the national statistical office reported.

Excluding gasoline, however, prices jumped 6.6 per cent year-on-year in July.

Evaluating highest credit

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Second, as for the policymakers, the global financial crisis is also relevant in providing robust evidence as to how the decline in investor confidence can trigger a need for bail-outs and result in considerable changes to the pre-existing fiscal policies. These problems can exacerbate further if there are disruptions to the financial system.

More specifically, our domestic economy is predominantly a bank-based financial system where most business funding is sourced from commercial banks rather than capital markets. Therefore, along with the overall economic development, it is natural for banks to grow in size (by assets) and sometimes become too big to fail.

Primarily, for these financial institutions, an exogenous shock due to a downgrade in credit ratings can raise the total risks and lead to difficulties in debt servicing. In extreme circumstances, government support may be needed to protect the depositors and avoid macroeconomic instability, which can raise total government spending.

Thus, while it is essential for both investors and policymakers to not over-depend on any credit rating, taking into account the rating reviews done by multiple rating agencies for an entity may be more valuable.

In effect, one can find large deviations between the ratings of different raters for the same entity, making it harder to evaluate the precise credit rating. However, revisions to such ratings or the rating outlook can be more insightful in such cases.

For instance, if an entity receives a rating upgrade from most of the major rating agencies, one can be more optimistic and confident about the positive changes in the economic health of that entity.

Taken together, it may undoubtedly seem surprising to see many entities being upgraded to the highest possible rating when macroeconomic risks are rising in our domestic environment. Such high ratings during economic uncertainties also highlight the importance for the investors to carefully vet any such ratings, consider multiple rating assessments, and conduct their own evaluations of investment choices.

Based on the experience around the world, policymakers and regulators may also need to be wary of the economic implications of the inaccurate perceptions about credit ratings that the general investors may have.

Nonetheless, suppose there is some coherence between the upgrades (or revisions) made in ratings by multiple agencies for any given entity. In that case, there is some consensus on the improvement (or changes) in the entity's financial position. Such consistent inferences can then enable more optimal decision-making for the investors.

The author is a lecturer at North South University.

Cash recycling

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Banks set up 192 new branches last financial year, with a majority of them in rural areas.

Some 107 branches were set up in rural areas, raising the total number of outlets beyond cities and towns to 5,243.

The number of total branches in urban areas stood at 5,737 and 85 new branches opened in FY22.

All except one branch provide full-fledged online services.

A central banker says branch-led banking is already on the wane in keeping with the spread of internet banking, which cut the operational costs of financial institutions. Transactions through internet banking more than doubled in the last fiscal year.

Mobile financial services are also expanding.

There were 17.86 crore MFS customers at the end of the last fiscal year, transacting Tk 94,293 crore alone in June, up 19.89 per cent year-on-year.

Germany's Russian gas crisis

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"Those who heat with gas but who still have a stove at home now all want to have coal," he said, citing a phenomenon seen throughout Germany as winter approaches. Jean Blum is one of the new converts.

The 55-year-old man with tousled hair and a bushy white beard loads 25 kilogram (55-pound) bags filled with precious black briquettes in his trailer.

"I'm buying coal for the first time in years," he tells AFP.

Since his home is equipped with gas heating, he sometimes lights his stove, but only with wood.

With the jump in gas prices, which will be exacerbated this autumn when operators will be able to pass on the increase in energy levies to the consumer, Blum wants to make sure he has a safety net.

"Even if it's bad for your health, it's still better than being cold," he says.

Although coal prices have soared 30 percent this season, it remains cheaper than wood, whose price has more than doubled.

"I worry when I wonder if there will be enough gas for everyone," he adds, noting that Russian President Vladimir Putin has already partially closed the gas tap on Germany after Western nations imposed new sanctions on Moscow.

The black fuel is experiencing a comeback on several fronts in Europe's top economy. The German government had already resolved to increase the use of coal-fuelled power plants to satisfy the enormous appetites of several industries.

However Berlin insists it will keep its pledge to phase out the heavily polluting energy source by 2030 and rules out a "renaissance of fossil fuels, in particular coal," as Chancellor Olaf Scholz recently vowed.

However with new private customers coming out of the woodwork, production has a hard time keeping up, and many small coal merchants in the capital are running out of supplies.

"We produce at full capacity during the summer, with three shifts, seven days a week," Thoralf Schirmer, spokesman for LEAG, a mining site in the Lusatia basin, told AFP.

The company supplies DIY stores and fuel sellers with coal briquettes.

Oil prices turn more volatile

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according to data from JP Morgan. Open interest in Brent crude futures at the start of August sat at 1.802 million contracts, the lowest since July 2015, according to Refinitiv Eikon data.

The "story is primarily driven by speculators, trend-followers and macro-focused funds looking for a hedge against an economic slowdown that is being priced in by the market," Ole Hansen, head of commodity strategy at Saxo Bank in Copenhagen, told Reuters.

The volatility has had a severe impact on businesses in 2022, a July survey from Schneider Electric showed. Twenty-four of 100 companies in industries including energy, manufacturing and construction firms said it has severely affected their business, the survey showed.

Forty-three percent of companies said energy budgets are the biggest operational area affected by supply-chain disruptions, which have stemmed recently from the coronavirus pandemic and geopolitics.

"The huge increase in energy prices has created an imbalance in procurement, budgeting, and production that we are finding increasingly difficult to maintain," said a survey respondent in the manufacturing and industry sector.

Seventeen percent of the companies said they were either not at all confident or just slightly confident in their organization's ability to hedge against future volatility.

Arif Quadri, managing director of United Commercial Bank, hands over the bank's Integrity Award to ASM Saruar Jahan, junior officer of Chinispur branch, for showing his best effort of integrity at its corporate office in Dhaka on Tuesday. Syed Faridul Islam, Nabil Mustafizur Rahman and Abul Alam Ferdous, additional managing directors of the bank, N Mustafa Tarek and Md Abdullah Al Mamoon, deputy managing directors, were present.

PHOTO: UNITED COMMERCIAL BANK

Mahir Ali Khan Ratul, co-chairman of Rupayan Group, poses for photographs with the sales and marketing executives of Rupayan City Uttara and other officials at Brac CDM in Gazipur after the end of its half-yearly sales conference. M Mahbubur Rahman, deputy managing director of Rupayan City Uttara, was present.

PHOTO: RUPAYAN GROUP

UK inflation hits new high

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"I understand that times are tough, and people are worried about increases in prices that countries around the world are facing," finance minister Nadhim Zahawi said following the latest data.

"Getting inflation under control is my top priority," he said, as Britons face also rocketing energy bills.

While the government of outgoing Prime Minister Boris Johnson has pledged to help reduce fuel costs for millions of Britons this coming winter, consumer groups are demanding far more state support.

It comes as Britain endures a cost-of-living crisis, with wage values falling at a record pace.

The deteriorating economy will be inherited by Johnson's successor after he leaves office next month, with Foreign Secretary Liz Truss and former finance minister Rishi Sunak vying to take the reins of the Conservatives.