German gas storage levy adds to energy consumers' woes

REUTERS, *Berlin*

A charge to fund gas imports into Germany to boost national stocks has been set at 0.59 euro per megawatt hour (MWh), gas market operator Trading Hub Europe said on Thursday, feeding into a sharp rise in consumer energy costs.

The gas storage levy, set to kick in from Oct. 1, comes on top of another levy on end-consumers designed to distribute the cost of replacing Russian gas to utilities like Uniper .

This will already cost an average family of four an additional annual 480 euros ($488), according to price platform Verivox' assessment, while Thursday's charge will add an additional 13 euros, a spokesperson for competitor Check24 said.

However, to cushion the blow to consumers, Chancellor Olaf Scholz said sales tax on gas would be reduced to 7 per cent from 19 per cent.

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The levies are part of a new energy security law Germany drew up this year in response to a drop in gas exports from Russia, which has become embroiled in an energy stand-off with the West since Moscow's invasion of Ukraine in February.

The new law obliges Germany's gas market operator THE to tender for additional gas purchases on top of regular ones it carries out to balance supply and demand, and potentially to buy outright on the open market, sidestepping its usual tender process, if necessary to top up reserves.

The cost of the measures is initially charged to gas suppliers on the pipeline grid. That cost is then rolled over, under a supervised mechanism, all the way to end customers.

Customers must by law be notified of the levy six weeks before the proposed Oct. 1 start date.

The storage levy, which will remain in place until April 2025, will be first calculated in the fourth quarter of 2022 and then every six months after that.

Economists have warned that the two new levies will further accelerate inflation in Europe's largest economy.

Scholz, who has promised to help households cope with higher gas bills, announced a reduction in sales tax while the levies are in place.

The price of every vegetable has gone up by at least Tk 15 to Tk 20 per kilogramme following the August 5 hike in fuel prices by up to 51.7 per cent, the highest in the country's history, adding to the plight of common people already struggling to cope with the rising cost of living. The photo was taken at Sandhya Bazar in Khulna city's Moylapota area on Saturday. PHOTO: HABIBUR RAHMAN

Stocks continue to rise but turnover falls

STAR BUSINESS REPORT

Stocks in Bangladesh continued to rise for a fourth consecutive trading day yesterday after news surfaced that fuel price had gone down in the world market for which the government on August 14 announced that local rates could soon be adjusted.

The DSEX, the benchmark index of Dhaka Stock Exchange (DSE), went up 18 points, or 0.28 per cent, to 6,259 yesterday. Over the last four trading days, the rise has been by 111 points.

Volatility has also reduced of the exchange rate of the local currency with the greenback last week, said stock market analysts. The rate had soared to Tk 120 per US dollar a week ago.

Brent crude oil settled down at $92 a barrel last week, the lowest since Russia's invasion of Ukraine in February that had caused it to surge to well over $120 a barrel earlier in the year.

The analysts are saying that if the fuel price drops locally, it would have a positive impact on the stock market as it would reduce the costs of listed companies.

Turnover at the DSE dropped 8.8 per cent to Tk 1,057 crore yesterday. At the premier bourse, 136 stocks advanced, 143 declined and 102 remained unchanged.

The stock market remained bullish for a fourth consecutive session amidst enthusiastic participation as investors are more confident and buoyant in putting fresh bets anticipating a positive momentum ahead, said International Leasing Securities in its daily market review.

According to sources at the Ministry of Power, Energy and Mineral Resources, Bangladesh is contemplating import of Russian oil via a third country that will decrease the fuel prices as well as inflation in the country, it said.

Moreover, the central bank tightened the spread between the buying and selling rates of the US dollar to curb the currency volatility.

All the measures have tempted investors to remain active on the trading floor which has pushed up the index, it added.

Meanwhile, both DS30 and DSES gained 6.10 points and 6.25 points respectively.

Among the sectors, jute rose 3.1 per cent, cement 1.9 per cent and services 1.6 per cent whereas life insurance dropped 0.8 per cent and general insurance 0.6 per cent.

In context to the total turnover, investors' activities were mostly centred on textiles (19.4 per cent), miscellaneous (17.5 per cent) and engineering (10.3 per cent) sectors.

Monno Fabrics topped the gainers' list yesterday, rising 10 per cent. Metro Spinning, Union Capital, Rahima Food Corporation and Orion Infusion rose significantly.

Bangladesh Industrial Finance Company shed the most, eroding 6.72 per cent. BD Thai Food & Beverage, Sonali Life Insurance Company, Sonargaon Textiles and Hwa Well Textiles (BD) were also in the list of those suffering losses the most.

Beximco became the stock to be traded the most with shares worth Tk 96 crore changing hands followed by Bangladesh Shipping Corporation, LafargeHolcim Bangladesh, Malek Spinning Mills and Orion Infusion.

Chittagong Stock Exchange (CSE) also rose yesterday. The CASPI, the all-share price index of the port city bourse, went up 20 points, or 0.11 per cent, to 18,390.

At the CSE, 101 stocks went up, 111 down and 85 remained the same.

Birdem gets ambulance from Pubali Bank

STAR BUSINESS REPORT

Pubali Bank has donated an ambulance and signed a memorandum of understanding with Birdem General Hospital for employees to avail a 30 per cent discount on medical services from the hospital.

Safiul Alam Khan Chowdhury, managing director and chief executive officer of the bank, handed over the keys to Prof AK Azad Khan, president of Bangladesh Diabetic Samity, as a part of its corporate social responsibility (CSR), the bank said in a press release.

Al-Arafah donates computers to Int'l Islamic University

STAR BUSINESS REPORT

Al-Arafah Islami Bank has donated 147 computers to International Islamic University Chattogram (IIUC) as a part of its corporate social responsibility for setting up a "Computer Vision and Intelligent System Laboratory".

Salim Rahman, chairman of the bank, handed over the computers to Pro-Vice-Chancellor Prof Mohammad Mashrurul Mowla recently, the bank said in a press release.

Managing Director and Chief Executive Officer Farman R Chowdhury, deputy managing directors SM Jaffar, Shabbir Ahmed, Md Shafiqur Rahman, Syed Masodul Bari, Md Mahmudur Rahman, Mohammed Nadim, Abed Ahmed Khan and Abdullah Al Mamun, and IIUC Treasurer Prof Mohammed Humayun Kabir were present.

MTB signs cash management deal with Paragon Group

STAR BUSINESS REPORT

Mutual Trust Bank (MTB) and Paragon Group have recently signed an agreement over cash management services.

Syed Mahbubur Rahman, managing director and chief executive officer of the bank, and Moshiur Rahman, chairman and managing director of Paragon Group, signed the agreement at MTB Centre in Dhaka, according to a press release.

MTB Deputy Managing Director and Chief Business Officer Md Khalid Mahmood Khan, Head of Transaction Banking Md Bakhteyer Hossain, Head of Communications Azam Khan, Head of Cash Management Md Ashik Iqbal Khan, and Paragon Group Chief Financial Officer Aminul Islam and Assistant Manager Abdul Hye were present.

Making money out of troubled water!

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saw inward remittance from non-residents to reach around $24 billion.

Now in the post-Covid or reasonably open economic activities, and amid weakness in political governance or crony capitalism-driven capital flights and very weak handling of the transition situation by the relevant agencies, the formal channel of money transfer came under tremendous pressure, at least for the time being. Globally accredited macro-economists would also put the 'lower than average inflation interest rate regime' on the possible 'culprits' lists.

My young banking friends also seemed to not like a few banks' treasurers being put on the dock due to their failure to understand the difference between profit and profiteering during troubled times. Most of them raised their eyebrows to ask what were their bosses or control and compliance departments doing.

A few also felt like the way UK and US regulators handled the 'Libor scam' or 'synthetic assets bubbles created by a few US banks and alleged banks should have been levied hefty penalties.

Let me end with a personal story.

Geoff Williams used to be the CEO of Standard Chartered Bangladesh when I used to run the bank's treasury in Dhaka. Treasury dealers are supposed to 'make or take advantage of the market fluctuations or volatility', no doubt about it. This is exactly the reason why all treasuries at global banks also appoint good macro-economists or technical resources to make market forecasts.

However, that, in no way, should influence the dealers to make an illogical profit by trying to befool the regulators (or taking advantage of their laxity) or market operators, and more importantly, ignorant or semi-ignorant clients.

While we wanted to take advantage of a semi-ignorant counterpart dealing bank on the possible USD appreciation and make windfall gain, Geoff Williams, the former audit head for the region and senior investigator in the 'Harshad Mehta scam' in India, forced us to unwind the deal and abide by all the central bank's guidelines regarding 'treasury dealing'.

How do we stabilise the forex market? Or what is the right level for the taka against the US dollar?

The simple answer would be: (1) Look at what the Reserve Bank of India or even the State Bank of Pakistan are doing; (2) Increase liquidity in the market or even informal market; (3) Follow a collaborative approach to narrow the gap between formal and informal market prices; (4) Keep encouraging non-residents and exporters; and (5) Improve visibility on the market operators and wrongdoers by applying some proven tools.

The author is an economic analyst.

Fresh fuel blow to Europe

FROM PAGE B4

Germany has had to give Uniper - its largest importer of Russian gas and the highest-profile corporate victim of Europe's energy crisis so far - a 15 billion euro ($15.1 billion) bailout after Russia drastically cut flows, forcing it to buy gas elsewhere at much higher prices.

The broader Germany economic impact was highlighted in producer price data on Friday, which in July saw their highest ever increases, both year-on-year and month-on-month, as energy costs skyrocket.

The Nord Stream pipeline had already been running at just a fifth of its capacity, stoking fears that Russia could halt flows completely heading into the winter heating season and make it more difficult to fill up storage facilities.

Before Gazprom announced the shutdown, gas prices in Europe remained close to five-month highs, while U.S. gas prices reversed course and settled up 1.2 per cent following the news.

GERMAN DEPENDENCE

Germany has made targeted efforts to fill up its storage facilities to prepare for winter with levels standing at 78 per cent as of Aug. 17, slightly more than the about 76 per cent for the European Union as a whole.

After maintenance is complete, and "in the absence of technical malfunctions," flows of 33 million cubic metres (mcm) a day - in line with current volumes - will resume, Gazprom said.

The restart volume would be just 20 per cent of Nord Stream's full capacity of 167 mcm daily.

Gazprom said maintenance work at the remaining Trent 60 gas compressor station would be carried out together with Siemens Energy. The Russian firm previously blamed faulty or delayed equipment for lower flows. Germany says this is a pretext to hurt its economy.

Siemens, which is in charge of maintaining the Nord Stream 1 turbines, declined to comment.

One of the Nord Stream 1 turbines is stuck in Germany after undergoing maintenance in Canada. Germany has said it could be transported but Moscow keeps saying that sanctions have prevented the equipment from being shipped back to Russia.

Earlier, senior German politicians had rejected suggestions that gas shortages could be alleviated by allowing the suspended Nord Stream 2 pipeline to go into service, something the Kremlin has suggested as a solution.

"I strongly suggest we spare ourselves the humiliation of always asking (Russian President Vladimir) Putin for something that we're not going to get," said Kevin Kuehnert, number two official in Chancellor Olaf Scholz's Social Democrats.

"The dependence on him has to end for once and all," he added in an interview with website t-online.

UK slips towards recession

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backdrop of a record fall in wages, excluding bonuses and adjusted for the jump in inflation which has hit 10.1 per cent, its highest level since 1982. Consumers provided some relief from the flow of bad economic news as data on Friday showed retail sales volumes unexpectedly edged up in July.

However, the increase was largely driven by online discounts, and real-time figures on spending using debit and credit cards have shown a big drop in spending in early August.

Retailers say they are already deep in crisis mode.

"For many businesses, 2022 is proving to be every bit as challenging as the pandemic," Helen Dickinson, chief executive of the British Retail Consortium, said.

BANK OF ENGLAND IN A BIND

Soaring inflation and the Bank of England's forecast of a long - albeit relatively shallow recession - have heightened the dilemma facing the central bank.

It has already raised interest rates six times since December, slowing momentum in the economy, but signs of broadening inflation pressures have prompted economists to raise their forecasts for further hikes in borrowing costs.

Analysts at Investec said on Friday they now expect the BoE to raise rates by half a percentage point for a second time in a row in September followed by a final quarter-point increase in November, before it cuts rates in 2023 to ease the recession.

Investors are also ramping up their bets on higher borrowing costs in Britain.

Two-year British government bond yields on Friday hit their highest since November 2008, midway through the global financial crisis, and the spread over equivalent German bonds was the widest since March this year.

With the BoE determined to show its critics that it will bring inflation under control by raising rates, the focus is turning to whoever wins the race to replace Boris Johnson as prime minister next month.

The front-runner, Foreign Secretary Liz Truss, has said she will cut taxes. The other contender, former finance minister Rishi Sunak, says that risks fuelling inflation. He prefers more direct and more targeted support.

Samuel Tombs, chief UK economist at Pantheon Macroeconomics, estimates that if Truss wins, the budget deficit could hit 170 billion pounds ($201.18 billion) in the current financial year.

That would be up from 144 billion pounds last year and triple its size before the pandemic, but smaller than borrowing of 309 billion pounds in the 2020/21 year during the depths of the coronavirus crisis.

Significant extra borrowing looks likely whoever enters Downing Street.

Andrew Goodwin, chief UK economist at Oxford Economics, said that provided support measures are temporary they would not hurt Britain's long-term fiscal outlook.

S&P lifts Ukraine rating

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and European Union will continue to provide funding to Kyiv in coming months.

A loan agreement with the International Monetary Fund also could ease pressures on Ukraine.

Ratings agency Fitch raised Ukraine's credit score on Thursday, after both agencies downgraded it to default territory due to the restructuring deal.

However, even with the upgrade S&P warned that "given the ongoing conflict with Russia, Ukraine's ability to stay current on its debt is highly dependent on factors largely outside of government control." The agency projects the country's economy will contract by 40 percent this year.

Argentina secures $740m in loans from dev bank

REUTERS, *Buenos Aires*

Argentine Economy Minister Sergio Massa signed an agreement with the Development Bank of Latin America (CAF) for six loans worth $740 million on Friday, the Economy Ministry said in a statement, as Argentina tries to reverse a severe fiscal deficit and foreign currency shortage.

The loans' amount surpassed the $665 million figure initially reported in the official gazette early Friday.

The ministry said the credits would "encourage exports, promote sustainable development, improve road and educational infrastructure, guarantee food security, and expand water and sanitation services in the Buenos Aires Metropolitan Area."

Among the projects receiving funding is a $340 million plan to expand and improve access to water and sanitation services that will guarantee drinking water to 1.3 million people.

Another $100 million will go toward an anti-hunger plan that the ministry said would benefit more than 2.4 million Argentines.

The ministry said the remaining $300 million will be split between funding the fight against climate change, the recovery and development of agricultural exports, and improvements in school infrastructure and roads.

The Caracas-based CAF, as the bank is known for its initials in Spanish, was founded in 1970 and has member countries across Latin America, the Caribbean and Europe.