Factory slump causes UK economy to stagnate

REUTERS, *London*

Growth in Britain's private sector slowed to a crawl in August as factory output fell and the larger services sector eked out only a modest expansion, adding to signs that recession may be looming, a closely watched survey showed on Tuesday.

The S&P Global/CIPS Purchasing Managers' Index (PMI) composite flash estimate dropped to 50.9 in August from 52.1 in July, its lowest since February 2021 and close to the 50 level that separates growth from contraction.

Economists polled by Reuters had forecast the index would fall less sharply to 51.1.

While activity in the services sector almost held at July's pace, the manufacturing component tumbled to 46.0 in August from 52.1 in July, its lowest since May 2020 in the depths of the Covid-19 pandemic and below all forecasts in a Reuters poll.

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"Waning customer demand amid the weaker economic outlook, and shortages of both staff and inputs, were reported to have hit goods producers hard," S&P Global economist Annabel Fiddes said.

The Bank of England has warned that Britain is likely to slip into a recession at the end of 2022 which will last until 2024, as soaring energy bills, mostly due to Russia's invasion of Ukraine, push consumer price inflation above 13 per cent in October.

Economists at Citi on Monday forecast that inflation would exceed 18 per cent in January, when regulated household energy tariffs are due to rise again.

Tuesday's data did show some signs of easing inflation pressures in other parts of the economy, reflecting a fall in prices of some raw materials such as metals.

Manufacturers' input costs rose at the slowest pace since November 2020, although a continued tight labour market pushed up services companies' costs slightly. Overall, businesses raised prices for consumers by the least in seven months.

A pair of sailors are seen dragging a drum of fish they caught out at sea onto the Kuakata sea beach in Patuakhali. Deep-sea fishing usually requires motorised boats that can fight the waves but rising fuel costs are now threatening the industry's survival following two years of turmoil amid Covid-19.

PHOTO: TITU DAS

IMPACT OF FUEL PRICE HIKE

Marine fishing industry struggling to stay afloat

DWAIPAYAN BARUA, *Chattogram*

Bangladesh's marine fishing industry is barely keeping head above water as their operating costs have risen significantly after fuel prices were hiked twice in the last eight months.

Fuel cost accounts for 70 per cent of the total operating cost involved in running a fishing trawler while maintenance cost, food allowance and wages make up the rest.

Making matters worse, all of these expenses have risen in the face of runaway inflation, which is badly affecting the industry that already struggles with a lack of work for around two-thirds of the year due to bad weather.

Besides, they are forced to sit on the shores for a total of 87 days each year -- May 20 to July 23 and October 1 to October 22 -- during a government-imposed ban on deep-sea fishing to facilitate breeding.

Industry insiders say their businesses are now at stake as fuel costs have nearly doubled in the last eight months with diesel prices having reached Tk 114 per litre while it was Tk 65 per litre before November 2021.

Three types of vessels are mainly used in deep-sea fishing, namely industrial fishing trawlers made of steel, wooden-body ice trawlers and small artisanal mechanised and non-mechanised boats.

A total of 215 industrial fishing trawlers and around 49 wooden-body ice trawlers registered with the Mercantile Marine Department conduct fishing activities beyond depths of 40 metres.

Apart from these larger trawlers, about 65,000 small artisanal mechanised and non-mechanised boats are engaged in fishing in shallow water, which is normally within the 40-metre mark.

According to data from the Ministry of Fisheries and Livestock, the total catch from marine finishing was 6.81 lakh tonnes in fiscal 2020-21, registering annual growth of 1.51 per cent against 671,104 tonnes the previous year.

A total of 234 industrial fishing trawlers and wooden-body ice trawlers as well as some 61,000 types of small boats were engaged in deep-sea fishing that year, the data shows.

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The annual catch from marine fishing was around 14.74 per cent of the country's total fish production of 4,621,228 tonnes in fiscal 2020-21.

The Bangladesh Marine Fisheries Association (BMFA) has 80 member firms who own 215 industrial fishing trawlers, of which around 180 vessels are currently operational. These trawlers have the capacity to carry about 150 tonnes to 350 tonnes of fish.

BMFA President Nurul Qayuum Khan said when the diesel price was at Tk 65 per litre last year, they spent only Tk 52 lakh to buy the 80,000 litres of fuel required by an industrial fishing trawler for a single voyage lasting 22 to 25 days.

However, the cost has risen to Tk 1.05 crore per voyage after the recent hike in fuel prices, he added.

In addition, other operating costs have also increased by Tk 5 lakh to Tk 10 lakh for each trip due to the price hike of essential commodities.

Mentioning that the price of diesel has ballooned by Tk 47.79 per litre in an eight-month span, Khan said such a hike has badly impacted the owners of industrial fishing trawlers as they now have to bear more than Tk 50 lakh for each voyage.

"Other transport sectors have adjusted to the new fuel prices by raising their fares but we do not have any such option as we cannot impose an exorbitant rise in the price of fish as it is mostly consumed by middle and low-income people," he said.

Moreover, Khan alleged they are not getting fair prices in local markets as a significant amount of fish is imported from different middle-eastern countries even though the country is self-sufficient in this regard.

The BMFA chief went on to say that while they cannot venture out to see for around four months each year amid foul weather in addition to the government ban for 87 days, their trawlers remain idle for a total of around 200 days but the owners still need to bear instalments on bank loans and pay salaries year-round.

Besides, the industry has been facing problems ever since Covid-19 made landfall in 2020 but it did not get any government support while other sectors received special stimulus packages to help ride out the pandemic.

"We have been facing a severe distressing situation for the past several months and

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Shepherd Industries to amalgamate with sister concern

STAR BUSINESS REPORT

Shepherd Industries Ltd is going to amalgamate with its sister concern Shepherd Textile BD Ltd (STBL).

An amalgamation is a combination of two or more companies into a new entity.

In a filing on the Dhaka Stock Exchange yesterday, Shepherd Industries said its board had approved the decision of amalgamation.

Upon completion of the amalgamation, Shepherd Industries will be the surviving entity.

The decision is subject to approval by the banks, other creditors and shareholders of the company and other stakeholders and sanction of the scheme of amalgamation by the High Court Division, the post said.

Established in 2000, Shepherd Industries is engaged in the dyeing of different counts of yarn and marketing of the processed yarn to various sweater industries in Bangladesh as a deemed exporter, according to its prospectus for the initial public offering. The company went public in 2017.

It suffered losses in the financial year of 2019-20 and 2020-21, data from the DSE showed. It posted profits in the July-March period of the last financial year, which ended in June.

Shares of Shepherd Industries were down 4.43 per cent at Tk 25.90 on the DSE yesterday.

Trendy Textiles to invest $39m in Dhaka EPZ

STAR BUSINESS DESK

Trendy Textiles Ltd, a local company, will invest $38.99 million to establish a knit composite textile factory in the Dhaka Export Processing Zone (EPZ).

Some 2,993 Bangladeshi nationals will get jobs in the company, a press release said.

The company will annually produce 15 million pieces of t-shirt, tank-top, polo-shirt, sweat-shirt, cotton and CVC fleece jacket and trousers, hoodies, fancy ladies and children wear along with sportswear.

Ali Reza Mazid, member for investment promotion of the Bangladesh Export Processing Zones Authority (Bepza), and Nafees Muntasir Khan, managing director of Trendy Textiles, signed an agreement to this effect at the Bepza Complex in Dhaka yesterday.

Major General Abul Kalam Mohammad Ziaur Rahman, executive chairman of the Bepza, Mohammad Faruque Alam, member for engineering, Nafisa Banu, member for finance, Nazma Binte Alamgir, executive director for public relations, Md Tanvir Hossain, executive director for investment promotion, and Md Khorshid Alam, executive director for enterprise services, were present.

Oil climbs amid tight supply moves

REUTERS, *London*

Oil rose $1 a barrel on Tuesday as tight supply moved back into focus as a result of Saudi Arabia floating the idea of Opec+ output cuts to support prices and the prospect of a drop in US crude inventories.

The Saudi energy minister said Opec+ had the means to deal with challenges including cutting production, state news agency SPA said on Monday, citing comments Abdulaziz bin Salman made to Bloomberg in an interview.

Global benchmark Brent crude gained 77 cents, or 0.8 per cent, to $97.25 a barrel by 0814 GMT. US West Texas Intermediate crude rose 94 cents, or 1.0 per cent, to $91.30.

"Whether cutting OPEC or OPEC+ output after September is justified is debatable," said Tamas Varga of oil broker PVM. "Despite the recent inflation-induced weakness, the oil market seemed to have found a bottom lately."

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Euro zone business activity contracts again in Aug

REUTERS, *London*

Business activity across the euro zone contracted for a second straight month in August as the cost of living crisis forced consumers to curtail spending while supply constraints continued to hurt manufacturers, a survey showed on Tuesday.

The global economy is increasingly at risk from sliding into recession as Russia's invasion of Ukraine and China's strict Covid-19 lockdowns have further damaged supply lines not yet recovered from the pandemic.

Meanwhile, consumers are facing the highest inflation in a generation which is forcing central banks to tighten monetary policy aggressively just as the economies need support.

S&P Global's flash euro zone Composite Purchasing Managers' Index (PMI), seen as a good guide to overall economic health, fell to 49.2 in August from 49.9 in July, just above the median forecast in a Reuters poll for a bigger drop to 49.0.

A reading below 50 indicates a contraction and August's preliminary estimate was the lowest since February 2021.

"The continued decline in the PMIs in August suggests that a recession in the winter half-year is increasingly likely," said Christoph Weil at Commerzbank.

"Russia is supplying only a limited amount of gas, high inflation is tearing deep holes in the coffers of private households, companies are facing massive uncertainties - the economic outlook for the economy in the euro zone is bleak."

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Workers transport packaged pasta at a factory of De Cecco in Fara San Martino, Italy. As companies are facing massive uncertainties, the economic outlook for the euro zone is bleak.

PHOTO: REUTERS/FILE

Opec+ can cut output to address oil slump

Saudi Arabia says

REUTERS

Opec stands ready to cut output to correct a recent oil price decline driven by poor futures market liquidity and macro-economic fears, which has ignored extremely tight physical crude supply, Opec's leader Saudi Arabia said on Monday.

Saudi state news agency SPA cited Saudi Arabia's Energy Minister Prince Abdulaziz bin Salman as telling Bloomberg Opec+ has the means and flexibility to deal with challenges.

Oil prices have dropped in recent weeks to around $95 per barrel from as high as $120 on fears of a Chinese economic slowdown and a recession in the West.

Earlier this year, prices rose to not far off an all-

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