

## Oil prices jump on Middle East turmoil

REUTERS, London

Oil prices surged more than 2 percent on Monday as military clashes between Israel and the Palestinian Islamist group Hamas ignited fears of a wider conflict in the Middle East.

Brent crude was up \$2.28, or 2.7 percent, to \$86.86 a barrel by 0859 GMT, while US West Texas Intermediate crude was at \$85.23 a barrel, up \$2.44 or nearly 3 percent. Both benchmarks spiked by more than \$4 a barrel earlier in the session.

The surge in oil prices reversed last week's downtrend - the largest weekly decline since March - in which Brent fell about 11 percent and WTI retreated more than 8 percent as a darkening macroeconomic outlook intensified concerns about global demand.

**Brent crude was up by \$2.28, or 2.7 percent, to \$86.86 a barrel yesterday**

While the underlying supply-demand balance is unaffected, said Tamas Varga of oil broker PVM, "any rise in tension in the Middle East usually leads to an increase in oil prices and it is no different this time around".

Hamas on Saturday launched the largest military assault on Israel in decades, triggering a wave of retaliatory Israeli air strikes on Gaza.

The eruption of violence threatens to derail US efforts to broker a rapprochement between Saudi Arabia and Israel, in which the kingdom would normalise ties with Israel in return for a defence deal between Washington and Riyadh.

Saudi officials reportedly on Friday told the White House that they were willing to raise output next year as part of the proposed Israel deal. Riyadh and Moscow have agreed to a combined 1.3 million barrel per day (bpd) voluntary cut until the end of 2023.

The question is how long will this oil rally last, Citi analysts said.

"Timing is everything and the attacks almost certainly postpone any Saudi-Israeli rapprochement, along with any high probability expectation of Saudi Arabia reducing or eliminating its extra 1 million bpd cut if prices resume their recent fall."



# TEA AUCTIONS in Chattogram see drop in sales, prices

DWAIPAYAN BARUA, Chattogram

Anxiety has gripped tea producers in Bangladesh as both sales and prices at the weekly international tea auction in Chattogram city are experiencing a drastic fall this season.

And considering the rising production cost fuelled by an increase in wage, energy and other associated expenses, tea garden owners fear a grim future for the industry.

Tea traders say demand is lower as peoples' purchasing power has reduced amid the ongoing inflationary pressure.

They also blamed surplus supply and an overall drop in quality resulting from the smuggling of low-quality tea into the market for the consistent fall in sales and prices.

However, they said good quality tea leaves and tea dust, a by-product of the refining process, are both bagging higher prices and good sales.

According to brokers at the Chattogram Tea Auction Centre, usually a maximum of 25 percent of the tea remains unsold after each weekly auction.

The remaining tea is then kept for the next auction, leading to a gradual increase in stores in absence of sufficient sales.

And since the start of the 2023-24 auction season in April, weekly sales have registered a record fall as huge portions of tea remain unsold.

A total of 23 weekly auctions have been held in Chattogram as

of October 2.

Upon analysing available data, it was found that an average of around 35 percent of the tea remained unsold after each auction.

The 21st and 22nd auctions saw sales drop by 50 percent and 53 percent respectively, which was the steepest decline so far this year.

However, data on the 23rd auction was not available at the time this report was filed.

**Tea traders say demand is lower as people's purchasing power has reduced amid inflationary pressure**

A total of 45.25 lakh kilogrammes (kgs) of tea was up for sale at the 22nd auction held on September 25 with more than 24 lakh kgs remaining unsold.

But apart from poor sales, tea garden owners have also been left frustrated over the sudden and drastic fall in prices at recent auctions.

Data of the Chattogram Tea Auction Centre shows that the average price of tea during the first 14 weekly auctions stood at Tk 212.24 per kg while it was Tk 199.50 at the same time last season.

However, tea prices in the last eight auctions ending with the 22nd had come down to an average of about Tk 188 per kg while it was more than Tk 203 at



the same time the year prior.

Tea sold at the 22nd weekly auction fetched an average of Tk 176 per kg, down from Tk 249.24 in the first sale of the current season held on April 17.

At the 22nd weekly auction last year, the average price of the same tea was Tk 200.24.

Kamran Tanvirur Rahman, chairman of the Bangladesh Tea Association, said the sector has been dealt a heavy blow by the poor prices and sales as production costs have increased.

"It is difficult to make profit with such low prices," added Rahman, who fears that many tea gardens may shut down if prices and sales do not go up at the auctions.

Referring to the rising production at tea gardens this year, he said the surplus supply could become a liability for producers if sales and prices remain unsatisfactory.

Shah Moinuddin Hasan, chairman of the Bangladesh Tea

Traders Association, said the poor demand for tea is mainly due the ongoing inflation and huge supply of substandard, low-quality and smuggled tea in the market.

"A section of unscrupulous traders is selling such substandard tea by packaging them with fake brand names while many tea vendors prefer to buy these at lower prices to cope with the higher prices of milk and sugar," he said.

"Due to such availability of substandard tea, most tea traders are facing poor sales and it is forcing them to buy less quantity from the auctions," Hasan added.

Mobile courts of the Bangladesh Tea Board conducted drives in the port city till October 5, seizing 10 tonnes of substandard, smuggled tea and fined five traders about Tk 2 lakh each for selling it.

Hasan said although tea production has increased, the overall quality is not that good.

## What future holds for digital banking

SUSHMIT NATH

Online banking transactions in Bangladesh amounted to nearly Tk 50,000 crore in May 2023, a 142 per cent rise year-on-year, Bangladesh Bank data showed.

This illustrates a significant shift in consumer behaviour towards digital banking and underscores the growing preference for digital banking solutions.

The advent of online banking, mobile applications, and contactless payments has changed how individuals manage their finances and payments. This, coupled with the proliferation of smartphones and advancement of mobile technology, has been empowering a consistent rise of mobile banking applications.

In-person cash handling and branch visits are all transitioning to online adoption. Smartphone users can access their accounts, make purchases, transfer funds, pay bills, and even invest digitally. International payments to and from the country can also be made.

The rise of an open banking framework enables traditional financial institutions to collaborate with third-party providers and promotes innovation and customer-centricity.

Additionally, Bangladesh has been witnessing a rise in fintech startups. This is making traditional banks adapt, collaborate and further catalyse innovation.

Payment service providers like Visa are at the forefront of such a shift, shaping how people manage finances in a world of emerging payment technologies.

Digitalisation in the banking sector holds the potential to enhance financial inclusion, particularly through mobile banking applications.

This transformation could empower previously underserved and underbanked individuals and businesses.

In the near future, digital banking will support increased transparency, reduce financial risks, and improve economic efficiency. Extensive data generated by digital transactions may spur growth of microfinance and lending for small and medium enterprises.

While adapting to this transformation, ensuring data privacy and addressing the digital divide is of paramount importance. Regulatory frameworks must evolve to keep pace with the dynamic nature of the digital banking landscape, safeguarding consumer rights.

Digitalisation brings comprehensive banking solutions right to the fingertips. In this journey, the banking system must continuously adapt and evolve. The integration of new systems into the industry is not merely a leap forward; it's the continuation of a legacy of innovation.

In this context, the Bangladesh Bank invited applications a few months ago from entrepreneurs interested in establishing digital banks.

The minimum required paid-up capital for a digital bank was set at Tk 125 crore compared to the Tk 500 crore requirement for a conventional bank to secure a license. This may make it easier for interested parties to acquire a stake. The central bank move is expected to enhance efficient delivery of financial products.

It's time for the government, regulators, and financial institutions to foster a comprehensive environment where digital banks can thrive. By embracing these innovative banking solutions, Bangladesh can expedite its journey towards becoming a digitised and smart nation, characterised by a cashless society.

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## OXFAM ON DEBT CRISIS Emerging nations face \$220b in budget cuts

REUTERS, London

Some of the world's poorest countries face budget cuts topping \$220 billion over the coming five years due to a debt crisis that has pushed dozens to the brink of default, according to an Oxfam International report released on Monday.

Oxfam's report, released at the start of the IMF-World Bank meetings in Marrakech and drawing on IMF outlooks, also found that on current terms, low- and lower-middle income countries face nearly half a billion dollars a day in interest and debt repayments through 2029.

A record number of developing nations are in debt distress as rising global interest rates, soaring inflation and a series of economic shocks following the Covid-19 pandemic hammer state finances.

Ratings agency Fitch said that as of March, there have been 14 separate default events since 2020 across nine different sovereigns.

Oxfam called on the IMF and the World Bank to use the crisis to create a fairer system - rather than focusing on debt restructure and spending cuts.

"Their answer to the debt crisis is more austerity, and their answer to the financing gulf is more loans," Oxfam International interim Executive Director Amitabh Behar said in a statement. "True win-wins, like fairly taxing the rich, are being left on the table."

# Middle East conflict adds new risks to global economic outlook

REUTERS, Dallas

The outbreak of military conflict in the Middle East may leave central bankers battling new inflationary trends as well as deal a blow to economic confidence at a time when they had expressed growing hope about containing the price surge sparked by the pandemic and Russia's 2022 invasion of Ukraine.

The stunning violence in Israel, with hundreds killed as fighters from the Hamas movement invaded from their Gaza enclave and Israel responded in force, added the possibility of a broader Middle East conflict to the sense of global instability sparked by Russian military actions almost 20 months ago.

The impact may take time to become clear, and would depend on how long the conflict lasts, how intense it becomes, and whether it spreads to other parts of the region.

"It's too early to say" what the implications may be, though oil and equity markets may see immediate fallout, Agustin Carstens, general manager of the Bank for International Settlements, said in a presentation to

the National Association for Business Economics.

But the war has the potential at least to add an unpredictable set of forces to a global economy that was already slowing

and to US markets still adapting to the likelihood that the Federal Reserve will maintain high interest rates longer than many investors had expected.

"Any source of economic uncertainty



Oil pumpjacks operate in Los Angeles, California. The conflict poses a risk of higher oil prices, and risks to both inflation and growth outlook, said an economist.

PHOTO: AFP/FILE

delays decision-making increases risk premia, and especially given that region...there is an apprehension about where oil is going to open," said Carl Tannenbaum, chief economist with Northern Trust.

"The markets will also be following what the scenarios are looking like," he said, and whether, after decades of instability in the Middle East, this outbreak of violence evolves differently.

"The question will be is this iteration something that will throw the long-term equilibrium out of balance?"

That and related issues will likely vault high on the agenda of global financial leaders gathering this week in Morocco for meetings of the International Monetary Fund and World Bank to take stock of a global economy that remains in a deep state of flux from the pandemic and rising trade tensions.

For central banks it poses the dilemma of whether it is likely to lead to new inflation pressures - the region is not just home to major oil producers like Iran and Saudi Arabia, but also to major shipping lanes through the Gulf of Suez - or deal such a blow to confidence that the economy stutters.