

# Prioritise immediate economic concerns

Interim govt should prepare a white paper, says Debapriya Bhattacharya

AM JAHID

The interim government should prepare a white paper on the economy and identify sectors that require immediate attention, according to Dr Debapriya Bhattacharya, an eminent economist and public policy analyst.

"It should prioritise mitigating recent shocks to stabilise the economy before going for structural reforms to the banking sector, capital market, energy sector, revenue collection and public expenditure," he said.

A white paper is an assessment report that features potential plans and policies to address the identified issues.

Bhattacharya suggested that such an initiative would help the interim government, headed by Nobel Peace Prize laureate Muhammad Yunus, to better understand the magnitude of existing challenges.

"The interim government needs to understand the state of the economy because if it does not establish a starting point, it cannot be credited for any improvement or blamed for deterioration."

In an interview with The Daily Star on Sunday, Bhattacharya said an advantage of preparing a white paper is that it engages stakeholders through an open consultative process.

This not only informs them about the state of affairs but also raises awareness about what to expect.

Another benefit is that the planning and policy options provided are not official commitments and may be amended if necessary, Bhattacharya said.

## HOW IT CAN BE PREPARED

Bhattacharya said it is expected that a white paper will be drafted by a group of competent people within a certain timeframe, which may be a maximum of two months.

The voluntary engagement of experts through such an inclusive process will also show the convening power of the government and generate confidence, particularly in the private sector.



Debapriya Bhattacharya

Citing that Bangladesh's international development partners and investors should be consulted as well, Bhattacharya said the process may assuage concerns centring the economic uncertainty.

He also said that the concerned ministries should provide their input.

"The energy ministry has already prepared a note for the new government. Among others, similar notes have come from Bangladesh Bank and the ministries concerned with finance, commerce, agriculture and social welfare," he added.

A review of available real-time technical data inputs and consultation with stakeholders would provide a good basis for a much-required benchmark analysis of the economy.

## MAJOR CHALLENGES AND URGENT PRIORITIES

"As the country has settled down with the coming of an interim government, it is now time to give attention to economic issues," said

Bhattacharya, also a distinguished fellow at the Centre for Policy Dialogue.

"I see three types of priorities in the economy at this moment. The first is mitigating the economic shock caused by the recent movement. This is a key issue that should be dealt with to get the economy back up and running," he said.

The second is stabilising the adverse economic trends seen in the recent past, particularly inflation and supply chain disruptions as well as rising exchange and interest rates.

The last is initiating much-awaited wholesale structural reforms. It concerns on a priority basis the banking sector, revenue collection, quality of public expenditure, and so on.

"Mitigating the most recent shocks should be the immediate concern. This would entail the functional restoration of supportive institutions for the economy," Bhattacharya said.

Also, ensuring smooth port

operations and clearing the container backlog will be critical.

"Once we have dealt with immediate shocks, we can move to the stabilisation issues. However, there is no silver bullet to solve inflation," he added.

Bhattacharya said it is more important for now to ensure an adequate supply of essential commodities in the domestic market.

"Maintaining the commodity supply from both domestic sources and international sources is very important in this case," the economist added.

However, related issues include the rising exchange rate for US Dollars and poor market monitoring.

Most importantly, remittance flow must be enhanced and whether the price of foreign currency is appropriate, Bhattacharya said.

He added that these measures could help reduce the forex crisis to not only facilitate imports but also debt payments.

Bhattacharya urged the authorities to take a closer look at the financial sector to ensure that bad loans stop rising.

Regarding structural reforms, Bhattacharya said this demands a bit more preparation by the government as it has to take only those it can fulfil during its tenure.

So, since the tenure of the interim government remains a bit uncertain, it is very difficult to say how ambitious the structural reform programme should be, he added.

Nonetheless, reforms in the financial sector and capital market should be prioritised.

Following that, the most important will be reforms to the energy sector. The third priority is public finance management, with its two components being revenue mobilisation and impactful public expenditure.

"Indeed, the economic ambition of the interim government will be tampered with by the reality on the ground and its deployable capacity," Bhattacharya said.

## Stocks fall for second day

STAR BUSINESS REPORT

Stock markets in Bangladesh extended their losing streak yesterday as skittish investors were on a selling spree to make short-term profits amid the sharp fluctuation of the share prices.

A Dhaka-based investor noticed the shift and pointed out how the market rose sharply for four days straight after the interim government was formed, and then fell similarly.

"Hence, investors like me are selling shares to make short-term gains," he said.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), dropped 64.32 points, or 1.08 percent, from the previous day to close at 5,867.96 points.

Similarly, the DSES, the index that represents the shariah compliant firms, slumped 15.45 points, or 1.21 percent to 1,255.36 and the DS30 that consists of the blue-chip companies, slipped 19.50 points, or 0.90 percent to 2,134.04.

Turnover, which indicates the total value of the shares traded at the country's premier bourse, declined 11.20 percent to Tk 1,015 crore.

The banking sector dominated the turnover chart, covering 22.90 percent of the day's total market turnover.

Block trades, a high-volume transaction in a security that is privately negotiated and executed outside of the open market, represented 4.7 percent of the overall market turnover.

BRAC Bank was the most traded share with a turnover of Tk 53.9 crore.

Of the issues that changed hands at the DSE, 106 advanced, 269 declined and 24 were unchanged.

"All the large-cap sectors performed negatively yesterday, with engineering suffering the biggest loss at 2.81 percent," said BRAC EPS Stock Brokerage in its daily market update.

**The DSEX, the benchmark index of the Dhaka Stock Exchange, dropped 64.32 points, or 1.08 percent, from the previous day to close at 5,867.96 points**

The non-banking financial institutions logged a loss of 2.26 percent followed by food and allied (1.89 percent), fuel and power (1.34 percent), bank (1.24 percent), pharmaceuticals (0.93 percent), and telecommunication (0.86 percent).

National Life Insurance Company took the pole position on the gainers' list with a rise of 10 percent.

Pragati Life Insurance gained 9.99 percent, closely followed by Islamic Finance and Investment (9.77 percent), Mozaffar Hossain Spinning Mills (9.68 percent), and Saihan Cotton Mills (9.43 percent).

Fareast Islami Life Insurance Company, Heidelberg Materials Bangladesh, Prime Islami Life Insurance and SK Trims and Industries were also on the gainers' chart.

Islami Bank Bangladesh shed the most, losing 5.60 percent.

Bangladesh Steel Re-rolling Mills fell 5.51 percent followed by Jamuna Bank, Unilever Consumer Care, Northern Jute Manufacturing Company, and ACI Ltd.

Apex Tannery, Jamuna Oil Company, Singer Bangladesh, Walton Hi-Tech Industries, and Sonali Paper and Board Mills were also on the losers' chart.

Yesterday's market movement was driven by negative changes in the market cap of travel and leisure, paper and printing, and bank scrips while life insurance, cement, and jute scrips were positive, according to the daily market update by Shanta Securities.

The Chittagong Stock Exchange also witnessed a similar downward trend as its all-share price index, the main index of the port city bourse, edged down by 148.06 points, or 0.86 percent, to settle the day at 17,009.48 points.

## Moody's and S&P doubt Boeing will hit production targets

REUTERS

Boeing will likely miss a key 737 MAX jet production target in 2024, analysts at rating agencies Moody's and S&P told Reuters, saying that the company faces challenges as it ramps up its strongest-selling plane.

The US aerospace giant's goal is to produce 38 MAX jets a month by the end of 2024, up from 25 jets a month in July. But Moody's and S&P said that goal may not be reached until 2025 due to risks like possible labor disruptions at the planemaker's facilities in the Seattle area. Boeing, however, faces no immediate risk of a credit downgrade that would drop its rating to junk levels, the two rating agencies said on Friday.

Jonathan Root, lead Boeing analyst at Moody's, assumes the planemaker will end 2024 producing 32 MAX

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jets per month, and reach the target of 38 in the second half of 2025. "We remain in a 'show me' state of mind," he said. MAX production and deliveries, which are closely watched by investors and airlines, mostly slowed following a Jan. 5 mid-air panel blowout on a new 737 MAX 9 that exposed longstanding quality-control problems at the jetmaker.

Boeing slowed output so it could improve production quality, but the decline in output and deliveries has taken a toll on cash flow. It burned about \$8.3 billion in cash in the first half of 2024 and expects free cash flow to be negative this year, burdening its balance sheet.

"We see risks to reaching that number (38), including labor negotiations and the company's history of underdelivering relative to targets," said Ben Tsocanos, aerospace director at S&P Global Ratings. "We view increasing and stabilizing MAX production as necessary to generating free cash flow, which is ultimately what we care about to maintain the rating."

Both S&P and Moody's rate Boeing, one notch above junk status.

In response to a request for comment, Boeing referred to its finance chief's recent remarks saying that output was expected to rise in the second half of 2024 to hit 38 planes per month by year-end.

New CEO Kelly Ortberg has yet to publically discuss any production plans for the company. Analysts at William Blair said the new CEO may lower the production target to prioritize quality.

Spirit AeroSystems, which is set to be acquired by Boeing, has the leading role in supporting increased output, Root said. The company produces the 737 fuselage that is used to make the finished planes at Boeing's facilities in Washington state.

## IEA trims oil demand outlook

REUTERS, London

The International Energy Agency (IEA) kept its 2024 global oil demand growth forecast unchanged on Tuesday but trimmed its 2025 estimate, citing the impact of a weakened Chinese economy on consumption.

The report from the IEA, which advises industrialised countries, is the second this week to flag that a sluggish economy is likely to curb demand in China, the world's biggest oil importer and second biggest oil consumer.

"Weak growth in China, following the post-Covid surge of 2023, now significantly drags on global gains," the Paris-based energy watchdog said in its monthly oil report.

While the impact of China's post-pandemic economic bounce

has faded, the IEA expects strong demand in Western economies, notably the United States, where one third of global gasoline is consumed.

The US summer driving season is expected to be the strongest since the pandemic, the IEA said, adding supply cuts by the Organization of the Petroleum Exporting Countries and allies (Opec+) had tightened the physical market.

"For now, supply is struggling to keep pace with peak summer demand, tipping the market into a deficit," the IEA said.

World oil demand will rise by 950,000 barrels per day (bpd) in 2025, the IEA said, down 30,000 bpd from the previous forecast. It left this year's growth forecast unchanged at 970,000 bpd.

Outside the developed countries

of the OECD, demand in the second quarter of this year was the slowest since the pandemic year of 2020, the IEA said.

China's share of this demand growth is expected to fall to about a third in 2024, compared to just over two thirds in 2023.

The IEA said the fall in China was most marked in gasoil and naphtha, reflecting less construction and manufacturing, and implying "a pause in the relentless expansion of the country's petrochemical sector".

Opec on Monday cut its 2024 demand forecast for the first time since July 2023, also citing China.

Even after its downward revision, the group of oil producing nations said world oil demand would rise by 2.11 million bpd this year, compared with the IEA's 970,000 bpd.

## Global EV sales jump riding on robust growth in China

REUTERS

Global sales of fully electric and plug-in hybrid vehicles rose by a yearly 21 percent in July, thanks to China's strongest growth this year and despite dropping demand in Europe, market research firm Rho Motion said Monday.

In the European Union MG Motor, owned by China's SAIC Motor Corp, expects to be hit hardest by provisional tariffs imposed on EVs imported from China, Rho Motion data manager Charles Lester told Reuters.

The impact of the tariffs should be smaller on Tesla, which can produce in its Berlin factory, and Chinese EV giant BYD, whose presence in Europe remains small, Lester said.

EVs - whether fully electric (BEV) or plug-in hybrids (PHEV) - sold worldwide were at 1.35 million in July, of which 0.88 million were in China, where they were up 31 percent year-on-year, the data showed.

PHEVs sold in China in the first seven months of 2024 were



A driver charges his electric vehicle at Antuoshan charging station in Shenzhen, China's southern Guangdong province. Around 1.35 million EVs, whether fully electric or plug-in hybrids, were sold worldwide in July, of which 0.88 million were sold in China.

PHOTO: AFP/FILE

up 70 percent from last year.

BYD, China's and the world's biggest EV maker, reported in the same period increases of 13 percent and 44 percent in its global BEV and PHEV sales, respectively.

In Europe, monthly sales were down 7.8 percent in July, to year-to-date figures in line with 2023. In the seven months to July, they dropped by 12 percent in Germany, the EU's biggest EV market.

In the United States and Canada, EV sales were up 7.1 percent in July. "BYD continued to have record sales of plug-in hybrids again this month, which is a key contributor as they have a large volume of vehicles that they sell", Lester told Reuters.

Range extender vehicles, battery-powered hybrid cars that recharge with an on-board generator, are also selling in large numbers, Lester said.

The European Union imposed in July provisional tariffs on imports of electric cars made in China. BYD faces duties of 17.4 percent, Geely 19.9 percent and SAIC 37.6 percent, the EU said.