



The Karwan Bazar kitchen market in Dhaka has apparently run out of jaggery and puffed and flattened rice owing to high demand from good Samaritans seeking to donate dry food alongside other relief items for people affected by the recent devastating floods on the eastern part of the country. Moreover, traders say they are facing a shortage in supply of these food items from their sources. The photo was taken yesterday.

PHOTO: ANISUR RAHMAN

## Germany confirms economy shrank in Q2

AFP, Frankfurt

The German economy shrank by 0.1 percent in the second quarter, final data confirmed Tuesday, weighed down by sluggish private consumption and a drop in industrial investments.

"After the slight increase in the previous quarter, the German economy slowed down again in spring," said Ruth Brand, head of federal statistics agency Destatis.

The quarter-on-quarter contraction confirmed an initial estimate released by Destatis at the end of July, which surprised analysts who had been expecting a small uptick in growth in Europe's largest economy.

The April-to-June period noticeably saw a 4.1-percent plunge in investments in machinery and equipment, and a two-percent fall in investments in construction.

Household consumption was down 0.2 percent on the previous quarter, as were exports amid weak foreign trade.

Germany, traditionally a driver of European growth, was the only major advanced economy to shrink in 2023 as it battled high inflation, an industrial slowdown and cooling export demand.

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# BB could lower policy rate if inflation falls

Governor says at a meeting with DCCI delegation



Ahsan H Mansur

## STAR BUSINESS REPORT

Bangladesh Bank Governor Ahsan H Mansur yesterday said it would be possible to lower the policy rates within about six months if inflationary pressure in the country is reduced to a tolerable level.

Mansur made this comment at a meeting with a delegation of the Dhaka Chamber of Commerce and Industry (DCCI) at the central bank headquarters in Dhaka.

The Bangladesh Bank increased the policy rates by 50 basis points to 9 percent on August 25 in an effort to combat persistently high inflation by making bank borrowing costlier.

Food inflation in the country crossed 14 percent for the first time in 13 years in July, with overall inflation rising by 1.94 basis points to 11.66 percent from the previous month.

This surge in inflationary pressure was brought on by nationwide supply chain disruptions following weeks of unrest that led to the fall of the Sheikh Hasina-led government on August 5.

Regarding the recent hike in policy rates, Mansur said it would be possible to reduce them within the next six or seven months if inflation is brought down to a tolerable level by then.

The policy rate, or repo rate, refers to the interest commercial banks must pay for borrowing from the central bank.



PHOTO: STAR/FILE

Food inflation in the country crossed 14 percent for the first time in 13 years in July, with overall inflation rising by 1.94 basis points to 11.66 percent from the previous month.

But although this will have the intended benefit of reducing the money supply, higher interest rates may slow down the flow of credit for cottage, micro, small and medium enterprises (CMSMEs), according to DCCI President Ashraf Ahmed.

"So, the central bank should instead facilitate financing for CMSMEs by accelerating several schemes for the sector," he said while leading the delegation at the meeting.

Ahmed also urged the central bank governor to ease the process for securing foreign trade credit and increase the credit flow of banks so that they can adequately fund CMSMEs.

In response, Mansur assured they would facilitate credit guarantee facilities for the sector.

He also emphasised the need to limit government borrowing from banks to increase the credit available for the private sector.

Furthermore, Mansur suggested it would be easier for local entrepreneurs to secure foreign trade credit if they improve their payment history in regards to loans.

He reiterated that they will soon form a banking commission, which will then devise the necessary roadmap for bringing stability to the country's financial sector.

Nurun Nahar and Md Habibur Rahman, deputy governors of the central bank, were present.

Malik Talha Ismail Bari, senior vice-president of the DCCI, Md Junaed Ibna Ali, vice-president, and other members of the chamber among the delegation were also present.

## What investors expect from new BSEC chair

M SHAHRIAR AZAD BHUIYAN

Bangladesh's stock market has been bearish for the past 14 years, leading to significant losses for many investors, erosion of their confidence and weakening of numerous associated institutions, such as the Investment Corporation of Bangladesh (ICB).

The number of beneficiary owner (BO) accounts has declined from a peak of 3.3 million to 1.6 million, of which about 1 million actively participate in the secondary market.

The lack of good governance was evident from the questionable steps taken by the last two chairmen of the Bangladesh Securities and Exchange Commission (BSEC).

These include approvals for low-quality initial public offerings (IPOs), which were overvalued in many cases and which flooded the market with substandard stocks.

The floor price was imposed for a long period while the market was dominated by a few manipulators who created artificial demand and conducted insider and serial trading.

The recent appointment of Khondoker Rashed Maqsood, who has extensive experience in the banking sector, as the BSEC chairman has renewed hope for the restoration of investors' confidence.

Investors and analysts expect him to prioritise a number of issues.

### Focus on regulatory integrity

The BSEC's primary role should be to formulate and implement effective policies rather than focusing on market returns and the rise of the index.

The regulator must amend regulations related to IPO approvals, market surveillance and investor protection to ensure that the market operates with transparency, fairness and adherence to global best practices.

### Abolish floor price

The regulator has to fast lift the floor price currently in place for six stocks, standardise the circuit breaker threshold from the existing 3 percent and make an announcement assuring that such measures would not be reimposed.

These will make it clear to foreign and domestic investors that the market is prioritising liquidity and adhering to basic secondary market principles.

The floor price has not only failed to stabilise the market but also driven away the very investors needed for market recovery.

### Crackdown on market manipulators

The regulator must take decisive action as per securities laws, such as the imposition of fines of substantial amounts, against manipulation, which includes publishing of false reports, artificial demand creation and insider and serial trading.

By holding manipulators accountable, the BSEC can begin to rebuild trust among investors and create a level playing field.

### Policy support for stockbrokers

The bearish trend, low turnovers, reduced trading activity and shrinking client base have left stockbrokers struggling to reach even break-even.

The BSEC could facilitate quick and easy loans from Capital Market Stabiliser Fund and the ICB for secondary market investments would offer much needed relief.

It could also advocate for the withdrawal of a capital gains tax imposed by the National Board of Revenue last fiscal year.

These measures would help brokers sustain their operations and support market liquidity, ultimately contributing to the survival and recovery of the industry.

Views are personal. The author is the head of operations and compliance at UniCap Securities. He can be reached at shahriar@unicap-securities.com

## Canada slaps 100% tariffs on Chinese EVs

AFP, Ottawa

Canadian Prime Minister Justin Trudeau announced Monday 100 percent tariffs on Chinese electric vehicle imports, matching US measures seeking to fend off a flood of Chinese state-subsidized cars into North America.

Accusing China -- one of the world's largest exporters of electric vehicles (EVs) -- of "not playing by the same rules as other countries" in areas such as environmental and labor standards, he also unveiled a 25 percent surtax on imports of steel and aluminum products from China.

The United States and the European Union have in recent months imposed tariffs on Chinese EVs of 100 percent and 38 percent, respectively.

Canada's auto manufacturing industry employs more than 125,000 people, and Ottawa has poured billions of dollars into supporting its transition to electric vehicles, and firming up a domestic electric battery supply chain.

Its strategy -- which has enticed Goodyear Tire, Honda, Stellantis, Volkswagen and others with subsidies -- follows that of the United States, whose Inflation Reduction Act has provided a host of incentives for the green industry.

Ottawa has also blocked new Chinese investment in its critical minerals mining sector.

At a news conference in Halifax on Canada's Atlantic coast, Trudeau said Chinese EV overproduction and hefty state subsidies for its auto sector "requires us to take action."

"Unless we want to get in a race to the bottom, we have to stand up, and that's what we're doing," he said. In a statement, the government called the tariffs a response to "this extraordinary threat."

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# High-tech manufacturing spurs China's industrial profit growth

REUTERS, Beijing

China's industrial profits grew faster in July buoyed by high-tech manufacturing, even as sluggish domestic demand weighed on the recovery in the world's second-largest economy.

Profits in July jumped 4.1 percent from a year earlier following a 3.6 percent rise in June, National Bureau of Statistics (NBS) data showed on Tuesday.

For the January-July period, profits expanded slightly faster at 3.6 percent compared with 3.5 percent in the first half, offering some hope of improving momentum amid dreary factory output, export, prices and banking lending numbers earlier in August.

"The mild expansion in industrial profits showed that domestic macro policies are taking effect" as the factory sector is undergoing a transition and upgrade, said Zhou Maohua, a macroeconomic researcher at China Everbright Bank.

The high-tech manufacturing sector, including the making of lithium-ion batteries and semiconductors and related equipment, led the earnings growth with

a 12.8 percent rise in the January-July period, the data showed.

Still, "domestic consumption demand remains weak while the external

environment is complex and volatile," said NBS statistician Wei Ning, suggesting more efforts were needed to boost domestic demand.



PHOTO: AFP/FILE

Employees work on an electric meter production line at a factory in Yinchuan, in northwestern China's Ningxia region. For the January-July period, industrial profits expanded slightly faster at 3.6 percent compared to 3.5 percent in the first half.

Tamer shipments last month raised a red flag over the country's export-driven recovery and heightened concerns about frail domestic demand.

China's July bank loans recorded the first contraction in 19 years, central bank data showed earlier.

Electric vehicle battery giant CATL recorded faster profit growth in the second quarter, but its revenue fell at a faster clip during the quarter, as EV sales slow in the world's largest auto market.

Amid lacklustre demand, a prolonged housing downturn and employment worries, Beijing is looking to pivot its stimulus toward consumption.

At a cabinet plenary session earlier this month, Premier Li Qiang vowed to boost the economy with a focus on consumption.

State-owned firms booked a 1 percent rise in profits in the first seven months, foreign firms posted a 9.9 percent gain, while private-sector companies saw profits up 7.3 percent, NBS data showed.

Industrial profit numbers cover firms with annual revenue of at least 20 million yuan (\$2.80 million) from their main operations.