Germany dodges recession

AFP, *Frankfurt*

The German economy unexpectedly grew in the third quarter as domestic spending increased, official data showed Wednesday, defying expectations of a slowdown that would have tipped the European giant into a technical recession.

Gross domestic product expanded 0.2 percent quarter-on-quarter, federal statistics office Destatis said in preliminary data, on the back of rising government spending and household consumption.

The government had been expecting "a renewed slight decline" after output fell in the second quarter.

But Germany -- which has been stuck in stagnation in recent years as it battles high energy costs, cooling exports and increased Chinese competition -- narrowly avoided entering a technical recession defined as two consecutive quarters of contraction.

It wasn't all good news however, as Destatis revised downwards its figure for the second quarter, saying the economy contracted by 0.3 percent instead of the previous estimate of a 0.1-percent decline.

The third-quarter figure was "a positive surprise" after months of gloomy indicators, said an analyst

The third-quarter figure was "a positive surprise" after months of gloomy indicators, said LBBW analyst Elmar Voelker.

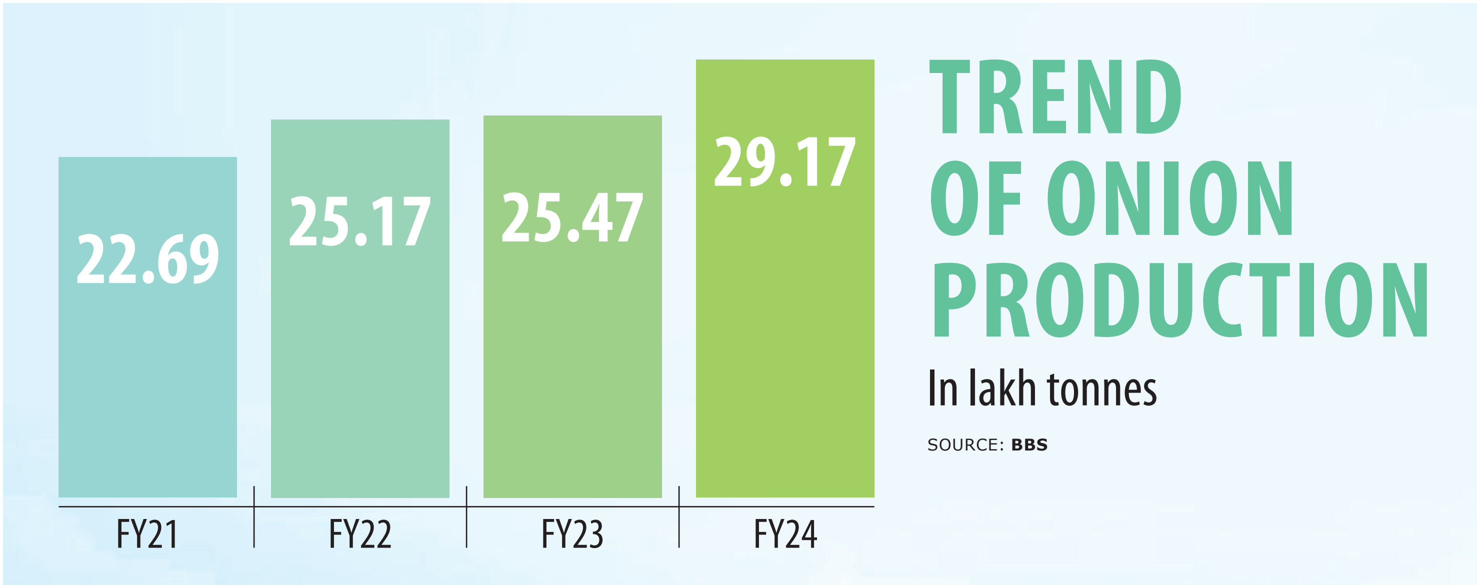
While it was "too early to speak of a positive trend reversal", he said, it was "encouraging that private consumption is showing the first signs of recovery -- thanks to falling inflation".

Other major European economies were also publishing third-quarter GDP data Wednesday, with Germany now likely to boost the eurozone figure.

France's economy expanded by 0.4 percent thanks in large part to the Olympic Games, while Spanish GDP expanded 0.8 percent.

The headwinds plaguing the German economy, particularly surging energy costs due to Russia's war in Ukraine, have taken a heavy toll on the country's crucial industrial sector.

Nowhere has the manufacturing downturn been more visible than in Germany's flagship auto sector.



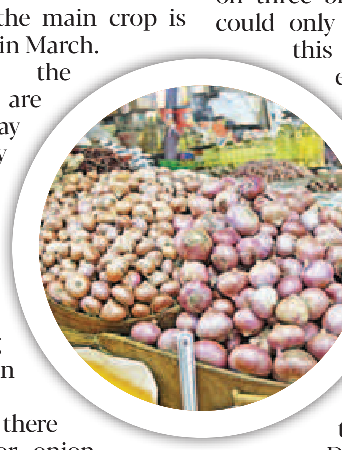
Onion production costs almost double this year

AHMED HUMAYUN KABIR TOPU, *Pabna*

Onion production costs have practically doubled this year thanks to the higher price of Kondo onion bulbs, which are planted in October and harvested in mid-November, according to farmers in major producing districts of Bangladesh.

Kondo onions are an early season variety of the vegetable that are grown from October to mid-November to ensure that local markets have a sufficient supply before the main crop is harvested later in March.

Besides, the farmers are having to pay considerably more for labour and leasing land while untimely rain this month is delaying cultivation in certain areas.



As such, there is no scope for onion prices to stabilise anytime soon, they said.

"Each maund [roughly 37 kilogrammes] of onion bulb currently costs up to Tk 8,000 compared to between Tk 4,000 and Tk 3,500 last year," said Md Samsul Islam, a farmer in Sujanagar upazila of Pabna.

Furthermore, labour costs have risen to Tk 500 daily while it was Tk 400 previously.

Md Kamruzzaman, another farmer from the same area, said that land lease costs have also become obscenely high, with the price per bigha having reached Tk 20,000 at present compared to Tk 8,000 in 2023.

Against this backdrop, Islam said production costs have reached above Tk 1.2 lakh per bigha at present while it was around Tk 60,000 last year.

"I cultivated the Kondo variety on three bighas last year but I could only cultivate one bigha this year due to the excessive production cost."

Shaheda Begum, a leading onion farmer in Faridpur, said the increased price for Kondo bulbs is a result of abrupt price hikes throughout the year.

Dr Md Abu Jafar Al Monsur, deputy director of monitoring at the Department of Agricultural Extension (DAE), echoed the same.

"Onion prices were above Tk 3,000 per maund for most of this year. So, the prices of onion bulbs are high as well," he said.

According to DAE data, about 2.665 lakh hectares of land were brought under cultivation to produce 39.112 lakh tonnes of onion in fiscal year 2023-24.

Meanwhile, the cultivation target has been fixed at 2.602 lakh hectares to produce 39.663 lakh tonnes of onion in the upcoming season of fiscal 2024-25.

"We are expecting high yields this year. Last year, we got 14.68 tonnes of onion from each hectare. Now, we want to get 15.24 tonnes from each hectare," Monsur said.

However, during a recent visit to the two biggest onion producing districts -- Pabna and Faridpur -- it was found that most farmers had delayed cultivation due to poor weather.

Just 2,000 of the 8,500 hectares of land in Pabna meant for growing onion was brought under cultivation as of October 25 this year, said Md Ashikur Rahman, sub-assistant agriculture officer of the Pabna DAE.

Previously, almost 50 percent of the cultivation was complete halfway through the month, he added.

Md Shahaduzzaman, deputy director of the Faridpur DAE, said onion cultivation has similarly slowed in his district due to rain.

"When farmers started onion cultivation in mid-October, bad weather and rain hampered their efforts. Now though, the local farmers are busy cultivating onion," he added.

As such, the DAE officials informed that cultivation of the Kondo variety has been delayed on average by one to two weeks for bad weather.

They also said that the excessive production cost of the Kondo variety could influence onion seed prices in coming months.

Farmers are having to pay considerably more on labour and leasing land while untimely rain this month is delaying cultivation in certain areas

"Each kg of onion seed was available at Tk 3,500 to Tk 4,000 a month ago. Now though, each kg of onion seed is selling for Tk 6,000 to Tk 6,500," said Md Samsul Alam, another farmer in Sujanagar upazila.

But although onion production costs have rapidly increased, the farmers are busy cultivating the crop in full swing, he added.

A total of 52,801 hectares of land in Pabna have been brought under cultivation to produce 7.82 lakh tonnes of onion this year, according to sources at the Pabna DAE.

But as cultivation costs have increased, the price of onion will also be higher in the upcoming season, farmers said.

BAT sees 2% drop in Q3 profit

STAR BUSINESS REPORT

British American Tobacco Bangladesh Company Ltd (BATBC) faced a slight fall in its profit in the third quarter of 2024 as leaf exports softened.

In the July-September quarter of this year, the company made a net profit of Tk 397 crore, which is nearly 2 percent lower than Tk 405 crore of the same period last year.

"Earnings per share decreased from the same period last year driven by lower leaf export," according to a disclosure on the Dhaka Stock Exchange (DSE) website yesterday.

However, the company's solid cash flow signals strong operational resilience amidst the export challenges.

Its earnings per share (EPS) also edged down to Tk 7.35 from Tk 7.52, primarily impacted by lower leaf export volumes.

Shares of BATBC, a blue chips stock, soared 8.52 percent to Tk 375.6 yesterday, highlighting a strong investor sentiment despite a decline in profit.

Despite the hit to exports, BATBC's net operating cash flow per share (NOCFPS) surged to Tk 26.17 for January-September 2024, which the company cited to stronger cash collection from higher domestic sales.

The tobacco manufacturer declared an interim cash dividend of 150 percent, equating to Tk 15 per share, as the company mentioned in its unaudited financial results for the third quarter.

City Bank's Q3 profit surges 41%

STAR BUSINESS REPORT

City Bank PLC saw a sharp 41 percent increase in profit in the third quarter of 2024 thanks to a substantial growth in investment income and commission earnings.

The bank reported a profit after tax (PAT) of Tk 200.71 crore in July-September, a significant jump from Tk 141.44 crore during the same period last year.

The bank's consolidated earnings per share (EPS) rose to Tk 1.49 from Tk 1.05 year-over-year, as disclosed on the Dhaka Stock Exchange (DSE) website yesterday.

"EPS growth resulted from substantial gains in investment income, commission, exchange, and brokerage, leading to higher operating profits and PAT," City Bank stated.

Additionally, the consolidated net operating cash flow per share (NOCFPS) turned positive, hitting Tk 42.38 in the January-September period of 2024, a substantial improvement from a negative Tk 5.20 in the same period last year.

City Bank attributed this positive cash flow to lower cash outflows for loan disbursements relative to cash inflows from deposits and borrowings, indicating a strategic approach to cash management.

Shares of the private commercial lender rose 3.85 percent to Tk 21.6 at the DSE yesterday.

Gold hits another record high

REUTERS

Gold surged to a record high on Wednesday as uncertainty surrounding the US presidential race spurred demand for safe-haven assets, while traders awaited cues on interest rate cuts.

Spot gold rose 0.2 percent to $2,781.51 per ounce by 0925 GMT, after hitting an all-time high of $2,789.73 earlier in the session.

US gold futures rose 0.5 percent to $2,793.50.

The Nov. 5 election has entered its final stretch, with recent polls indicating a fiercely competitive race between Republican former US President Donald Trump and Democratic Vice President Kamala Harris.

China files complaint over EU's new taxes on its EVs

AFP, *Beijing*

Beijing said Wednesday it had lodged a complaint with the World Trade Organization over the European Union's decision to impose hefty tariffs on Chinese-made electric cars.

The extra taxes of up to 35 percent were announced Tuesday after an EU probe found Chinese state subsidies were undercutting European automakers, but the move has faced opposition from Germany and Hungary, which fear provoking Beijing's ire and setting off a bitter trade war.

China slammed Brussels's decision on Wednesday morning, saying it did not "agree with or accept" the tariffs and had filed a complaint under the World Trade Organization's (WTO) dispute settlement mechanism.

"China will... take all necessary measures to firmly protect the legitimate rights and interests of Chinese companies," Beijing's commerce ministry said.

EU trade chief Valdis Dombrovskis said Tuesday that "by adopting these proportionate and targeted measures after a rigorous investigation, we're standing up for fair market practices and for the European industrial base".

"We welcome competition, including in the electric vehicle sector, but it must be underpinned by fairness and a level playing field," he said.

But Germany's main auto industry association warned the tariffs heightened the risk of "a far-reaching trade conflict", while a Chinese trade group slammed the "politically motivated" decision even as it urged dialogue between the two sides.

The extra taxes of up to 35 percent were announced Tuesday after an EU probe found Chinese state subsidies were undercutting European automakers

The duties will come on top of the current 10 percent on imports of electric vehicles from China.

The decision became law following its publication in the EU's official journal on Tuesday, and the duties will enter into force from Wednesday.

Once they do, the tariffs will be definitive and last for five years.

The extra duties also apply, at various rates, to vehicles made in China by foreign groups such as Tesla, which faces a tariff of 7.8 percent.

Chinese car giant Geely -- one of the country's largest sellers of EVs -- faces an extra duty of 18.8 percent, while SAIC will be hit with the highest at 35.3 percent.

Slow growth, high debt taking heavy toll on developing nations: UN

AFP, *Geneva*

Poorer nations are increasingly struggling to navigate the sluggish global economy, the UN warned on Tuesday, calling for a fundamental rethinking of development strategies.

A report from the United Nations' trade and development agency UNCTAD highlighted how slow growth, soaring debt burdens, and weak investment and trade, were holding back developing countries and widening the economic chasm with wealthier nations.

The report, entitled "Rethinking development in the age of discontent", called for new policies and multilateral support to help developing countries overcome their challenges.

"Developing countries are taking a big impact after the pandemic and the cascading crisis that followed," UNCTAD chief Rebeca Grynspan told reporters.

In the foreword to the report, she warned that "although some developing economies show promising growth, the overall picture in the global South is one of weak growth, growing exposure to global shocks and the risk of trade fragmentation".

People buy vegetables at a market in Shenyang, in northeastern China's Liaoning province. Developing countries are taking a big impact after the pandemic and the cascading crisis that followed, UNCTAD chief Rebeca Grynspan said. PHOTO: AFP/FILE

The agency emphasised the emergence of a new "low normal" in global economic growth, with global GDP expected to rise just 2.7 percent this year and in 2025, down from an annual average of 3.0 percent between 2011 and 2019.

This stands in "stark contrast" to the 4.4 percent average growth seen between 2004 and 2007 ahead of the global financial crisis, it said.

And for developing countries, the slowdown is more dramatic, the report showed.

After growing 6.6 percent on average annually between 2003 and 2013, their average growth has fallen to just 4.1 percent in the past decade, it said.

And if China is excluded, growth in the Global South averaged only 2.8 percent since 2014.

At the same time, developing countries saw their debt burdens balloon by 70 percent between 2010 and 2023.

This, UNCTAD warned, was heightening "the risk of a return to austerity as a policy guideline", which it stressed could undermine progress towards inclusive development.

"In many ways, the world is seeing a further deterioration of the sluggish 'new normal' growth that followed the global financial crisis over 15 years ago," Grynspan said.

The report also cautioned that post-pandemic inflation, driven by supply chain disruptions and concentrated market power in key sectors like agriculture and energy, had significantly eroded purchasing power in developing countries especially.