No overnight cure for ailing financial sector

Former FBCCI president Abdul Awal Mintoo says

STAR BUSINESS REPORT

There is no overnight cure for the deep-rooted challenges facing the country's banking sector, Abdul Awal Mintoo, former president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said yesterday.

He also said the initiatives that the Bangladesh Bank has taken so far are not enough to bring down non-performing loans.

He made the remarks while speaking on the current business and investment environment and the way forward at the Economic Reporters' Forum (ERF) office in Dhaka. The ERF organised the conversation.

Minto added that printing money to lend to cash-strapped banks is a misstep because it can cause inflationary pressures -- a thorn in Bangladesh's side for over two years -- in the domestic markets to intensify.

The investment environment climate is attractive enough to lure in foreign direct investment, he added.

More than 96 percent of investment comes from people's savings, but they can hardly save due to high inflation, he said.

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In recent times, well-dressed people are also standing in queues in front of the Trading Corporation of Bangladesh's Open Market Sales programme, which sells essentials at subsidised prices through trucks.

The former FBCCI president also said a warm relationship with India is needed for the sake of the country's interests.

Minto also said Bangladesh should not graduate from the group of Least Developed Countries (LDCs) and get the status of a developing nation based on false economic data.

A recent white paper on the state of the economy estimated that Bangladesh's gross domestic product had been overstated by 3.5 percentage points on average between FY13 and FY19.

"The economic data requires a lot of corrections, including in exports and imports, as the real data was not published during the last government's regime," he said.

Replying to queries, Mintoo said the corporate culture in the country has not improved yet as most big corporations are still very much family businesses.

He said the country's failure to produce an adequate number of qualified personnel to run such big corporations efficiently was one of the reasons for that.

However, this can cause serious problems for businesses, as exemplified by Beximco Group, which has been in hot water since the arrest of its vice-chairman Salman F Rahman after the political changeover.

Salman also served as the private industry affairs adviser to deposed Prime Minister Sheikh Hasina.

Regarding corruption under the READ MORE ON B3

Bangladeshi garment workers at risk from extreme heat: study

Workers at a garment factory are making jeans in Dhaka. PHOTO: REUTERS

REUTERS, *London*

Workers in some of the world's biggest garment manufacturing hubs in Bangladesh, Vietnam, and Pakistan are increasingly exposed to extreme heat as climate change pushes temperatures up, a report found on Sunday, a problem multinational retailers and brands will have to help address.

New European Union regulations make retailers selling in the bloc, like Inditex, H&M and Nike, legally liable for conditions at their suppliers, putting pressure on them to help fund improvements to cool factories they source from.

In Dhaka, Hanoi, Ho Chi Minh City, Phnom Penh and Karachi, the number of days with "wet-bulb" temperatures - a measurement that accounts for air temperature as well as humidity - above 30.5 degrees Celsius jumped by 42 percent in 2020-2024 compared to 2005-2009, researchers at Cornell University's Global Labor Institute found.

Above that threshold, the International Labor Organisation recommends as much rest as work in any given hour to maintain safe core body temperature levels.

The report identified only three retailers - Nike, Levi's, and VF Corp - which specifically include protocols to protect workers from heat exhaustion in their supplier codes of conduct.

"We've been talking to brands for ages now about this issue, and they're only now starting to turn their attention to it," Jason Judd, executive director at Cornell University's Global Labor Institute, told Reuters.

"If a brand or retailer knows that temperatures in a production area are excessively high or doing damage to worker health, then they're obligated under this new set of rules to do something about it," he added.

The EU Corporate Sustainability Due Diligence Directive came into force in July and will start applying to large companies from mid-2027.

Fixes to cool factories could include better ventilation and water evaporative cooling systems, instead of energy-intensive and expensive air conditioning that would increase manufacturers' carbon emissions.

Some factory owners would likely be willing to make such investments themselves, given how heat stress significantly impacts productivity, Judd said, but the EU rules highlight brands' responsibility to address the issue too.

The report also urged retailers and brands to invest in higher wages and health protections so that workers can manage the risk of missing work days due to heatwaves.

Extreme heat and flooding could erase $65 billion in apparel export earnings from Bangladesh, Cambodia, Pakistan and Vietnam by 2030, research from asset manager Schroders and the Global Labor Institute found last year.

ECB to cut rates again amid bleak eurozone outlook

AFP, *Frankfurt*

The European Central Bank is expected to cut interest rates again this week amid a darkening outlook, with political turbulence in the eurozone's two biggest economies adding to the troubled picture.

It would be the ECB's third straight reduction as it increasingly focuses on spurring lending to boost consumer spending and business investment in the 20 countries that use the euro.

The central bank hiked rates aggressively from mid-2022 to tame surging energy and food costs but, with inflation easing and the eurozone weakening, they have now turned their attention to cuts.

Recent worse-than-expected data had fuelled speculation the ECB could deliver a hefty, half-percentage-point cut for the first time in its easing cycle when it meets Thursday.

But with inflation pressures still a concern -- the indicator rebounded above the central bank's two-percent target in November -- most analysts now expect the ECB to continue at the same pace as before, with a quarter-point cut.

"While there is a strong case for the ECB to accelerate the pace of policy easing by delivering a (half point) cut, a majority of the governing council seems to prefer" a quarter-point reduction, Capital Economics said in a note.

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ECB officials have repeatedly raised concerns about the weakening growth outlook in the single-currency area, signalling a shift away from being laser-focused on bringing down inflation.

Eurozone inflation peaked at 10.6 percent in late 2022 after surging in the wake of Russia's invasion of Ukraine and amid post-pandemic supply chain woes. It fell back under the ECB's two-percent target in September but rebounded in subsequent months, reaching 2.3 percent in November.

In remarks last week to a European Parliament hearing, ECB President Christine Lagarde said recent data "suggest that growth will be weaker in the short term, on the back of slowing growth in the services sector and a continued contraction in manufacturing".

Analysts expect the weaker outlook to be reflected in updated ECB economic forecasts, to be released Thursday alongside the rate call, and are predicting small downward revisions to growth and inflation estimates.

Political headwinds are adding to the tricky terrain that rate-setters will have to navigate.

Germany is heading for elections in February, seven months earlier than scheduled, after the collapse of Chancellor Olaf Scholz's long-troubled coalition last month.

Even before the latest turbulence, the eurozone's biggest economy was struggling with a manufacturing slowdown, and its anaemic growth rates are weighing down the broader single currency area.

BYD on track to top 2024 sales goal

REUTERS, *Shanghai/Beijing*

China's top electric vehicle maker BYD gained market share as the world's largest auto market recorded its fastest-growing month in 2024, setting BYD up to exceed its global annual sales goal and overtake Ford and Honda.

BYD has been on an extraordinary expansion this year, growing capacity and undertaking a massive hiring spree to turbocharge revenue that surpassed EV leader Tesla in the third quarter.

Aided by robust sales in China, BYD is on course to top its annual sales target of 4 million vehicles, which would put it ahead of Japan's Honda and Detroit-based Ford for 2024. The Chinese electric vehicle giant delivered 3.76 million vehicles in the first 11 months this year including 506,804 units sold in November.

Bolstered by strong sales led by a competitive lineup of models with its latest plug-in hybrid technology, BYD gained ground over rivals as China's car sales grew in November at their fastest from a year earlier since January, thanks to government-subsidised auto trade-ins.

The number of subsidised car trade-ins totalled more than 4 million as of Nov. 18, according to official data. Without such trade-ins, year-to-date car sales may have contracted versus a 4.4 percent increase for the January-November period, according to Reuters analysis based on industry numbers.

China's inflation weakens as new risks cloud horizon

REUTERS, *Beijing*

China's consumer inflation hit a five-month low in November as fresh food prices pulled back while factory deflation persisted, suggesting Beijing's recent efforts to shore up faltering economic demand are having only limited impact.

The world's second-largest economy is bracing for likely fresh tariffs from a second Donald Trump White House and still dealing with other headwinds, suggesting more policy stimulus will be needed to shore up fragile growth.

The consumer price index rose 0.2 percent last month year-on-year, data from the National Bureau of Statistics showed on Monday, below the 0.3 percent increase in October and a 0.5 percent rise forecast in a Reuters poll of economists.

CPI fell 0.6 percent month-on-month, compared with a 0.3 percent fall in October and a forecast 0.4 percent decline.

NBS statistician Dong Lijuan said the faster monthly fall in CPI was mainly due to a weather-related 2.7 percent decline in food prices.

The national average temperature in November was the highest for any comparable period since 1961, which supported production and transportation of agricultural goods, helping bring fresh food price down, Dong said in a statement.

Core inflation, excluding volatile food and fuel prices, edged up to 0.3 percent last month from 0.2 percent in October.

In the factory sector, the producer price index fell 2.5 percent year-on-year

> **Instead of directly injecting money into the economy, Beijing unveiled a 10 trillion yuan ($1.37 trillion) debt package in November to ease local government financing strains**

People buy products from a store in Beijing, China. The world's second-largest economy is bracing for fresh tariffs from a second Donald Trump White House while still dealing with other headwinds. PHOTO: AFP/FILE

in November, a slower decline than the 2.9 percent in October and the forecast 2.8 percent fall, but extending declines for 26 months.

"Core inflation edged up and PPI deflation eased, suggesting that stimulus measures are supporting underlying prices pressures to some degree. Even then, we expect overcapacity will keep inflation low into 2025 and beyond," said Gabriel Ng, assistant economist at Capital Economics.

While household spending has beaten forecasts in recent months, buoyed by subsidised trade-ins of autos and home appliances, that hasn't been enough to help China turn its economy around.

Instead of directly injecting money into the economy, Beijing unveiled a 10 trillion yuan ($1.37 trillion) debt package in November to ease local government financing strains.

Chinese government advisers are calling for an economic growth target of around 5 percent for 2025, pushing for stronger fiscal stimulus to mitigate the impact of expected US tariff hikes on the country's exports, Reuters reported.

However, economists are still broadly gloomy about China's economic prospects, which face fresh trade tariffs from a new Trump presidency next year and a still shaky property sector.

Fitch Ratings lowered its economic forecasts for China for 2025 to 4.3 percent from 4.5 percent and for 2026 to 4 percent from 4.3 percent on Monday, citing risks of even higher US tariffs on Chinese goods.

Rupee tipped to drift lower

REUTERS, *Mumbai*

The Indian rupee is likely to open slightly lower on Monday as expectations surrounding the incoming Trump administration's policies keep the dollar well-bid despite heightened hopes of a Federal Reserve rate cut this month.

The 1-month non-deliverable forward indicated the rupee would open at 84.69-84.70 to the US dollar, compared with its close of 84.6875 in the previous session.

The odds of a 25-basis point rate at the Fed's Dec. 17-18 meeting have risen -- to 83 percent from 66 percent -- after payrolls data showed job growth was roughly in line with expectations in November, while the unemployment rate nudged higher to 4.2 percent.

The heightened odds though, are unlikely to help regional currencies substantially amid the lingering prospect of US President-elect Donald Trump raising trade tariffs.

"We doubt Asian FX can strengthen further from here, especially in H1 2025, given the likelihood that Trump 2.0 will be fast and furious in tariff implementation, making it somewhat attractive to put on some hedges against Asian FX weakness," MUFG Bank said in a note.

The dollar index was at 106.05 after rising 0.5 percent on Friday, while US bond yields dipped after the labour market data.

Asian currencies were mostly lower, with the Korean won down 1 percent and leading losses.