

Oil prices fall even as Israel-Iran strikes extend into fourth day

AFP, Hong Kong

Oil prices retreated on Monday as fears of a wider Middle East conflict eased even as Israel and Iran pounded each other with missiles for a fourth day and threatened further attacks.

Gold prices rose back towards a record high thanks to a rush into safe havens but equities were mixed amid hopes that the conflict does not spread.

Investors were also gearing up for key central bank meetings this week, with a particular eye on the US Federal Reserve and Bank of Japan, as well as talks with Washington aimed at avoiding Donald Trump's sky-high tariffs.

Israel's surprise strike against Iranian military and nuclear sites on Friday - killing top commanders and scientists - sent crude prices soaring as much as 13 percent at one point on fears about supplies from the region. However, concerns over the conflict spreading appeared to have eased, with prices retreating in Asian trade.

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Analysts had warned that the spike could send inflation surging globally again, dealing a blow to long-running efforts by governments and central banks to get it under control and fanning concerns about the impact on already fragile economies.

"The knock-on impact of higher energy prices is that they will slow growth and cause headline inflation to rise," said Tony Sycamore, a market analyst at IG.

"While central banks would prefer to overlook a temporary spike in energy prices, if they remain elevated for a long period, it may feed through into higher core inflation as businesses pass on higher transport and production costs.

"This would hamper central banks' ability to cut interest rates to cushion the anticipated growth slowdown from President Trump's tariffs, which adds another variable for the Fed to consider when it meets to discuss interest rates this week."

Both main oil contracts were down, giving up earlier gains in Asian trade.

One in three factories in Ctg BSCIC estates stand idle

Poor utilities, bad roads and inadequate safety leave industries gathering dust



An aerial view of the Kalurghat BSCIC industrial area. Many factories in the zone have shut due to poor road links, unreliable power supply, weak security and high service charges, according to industrialists.

PHOTO: RAJIB RAIHAN

MOHAMMAD SUMAN and ARUN BIKASH DEY

One in three factories on six industrial estates of the Bangladesh Small and Cottage Industries Corporation (BSCIC) in Chattogram now lie idle, gathering dust due to the absence of basic infrastructure such as reliable gas and electricity, and poor access roads.

Small and medium entrepreneurs, who set up shop on these estates lured by affordable land and the promise of better utilities, now find themselves struggling with crumbling facilities.

Industrialists say the vision that once inspired these zones now risks becoming a relic of the past.

Mostly established between the 1960s and 1990s, the six BSCIC estates are Kalurghat-1, Kalurghat-2, Fouzdarhat, Sholoshahar, Patiya and Mirsharai.

They were built to support small and medium businesses. But today, only 245 out of 374 allocated plots house active factories.

Fewer than 86 of them export goods, while around 34 percent of factories across these estates have fallen silent, held back by poor road links, inconsistent power supply, weak security, and high service charges.

Khan Accessories, for instance, owns two 4,500 square feet plots in the Mirsharai estate. Although the firm invested Tk 5 crore in a carton-box factory, production has yet to begin, hamstrung by unreliable supplies of essential inputs.

"The estate suffers from chronic shortages of electricity and water," said Abdul Jalil, managing director of Khan Accessories.

He also pointed to the lack of government incentives and limited access to bank loans as key obstacles.

NGK Auto Rubber Products in Mirsharai estate also offers a similar story. The company received two plots totalling 8,100 square feet to manufacture rubber goods, but has not yet been able to start production.

Managing director Amol Barua blamed frequent power cuts, and offering power lines actually meant for homes rather than factories.

Although the Mirsharai estate was

inaugurated in 2017 to attract modern industry, only eight out of its 88 plots have so far begun production.

Across all six zones, plots are often acquired speculatively, then transferred to others without any factory being built.

One such example is a 13,205 square feet plot in Sholoshahar, leased to Sadeq Silk Mills over two decades ago.

After a lease default, the land was auctioned off to Glory Industries in 2014. Yet no factory has emerged, as legal tangles and logistical hurdles remain unresolved, even though neighbouring plots are thriving.

an exporter to North America and Europe, has remained closed since 2016. Although Alif Group acquired it in 2021, full operations and exports have yet to resume.

Well Group stands out as a rare success story, continuing its long term presence in Kalurghat.

Nurul Islam, the company's chief financial officer, recalled how BSCIC's affordable land and utilities were once a draw, but said conditions have deteriorated.

"Roads are unusable, security is poor, and theft is common when factories are closed," he said.

BSCIC ESTATES IN CTG AT RISK OF BECOMING RELICS

THE ESTATES

- Established: 1960s-1990s
- Purpose: Support SMEs

CURRENT STATUS

Plots allocated **374** | Factories on **129** plots inactive

ZONES

- Kalurghat-1
- Kalurghat-2
- Fouzdarhat
- Sholoshahar
- Patiya
- Mirsharai

WHY MANY FACTORIES REMAIN IDLE

- Narrow, potholed access roads
- Unreliable gas, power supply
- High service charges
- Poor factory security
- Inflated transfer prices for unused plots

Such inactive plots block new businesses and fresh investment.

Even the older estates, such as Kalurghat, which began in the 1960s and expanded through the 1990s, have seen better days. Of 326 plots allocated to 159 industries, only 122 are operational.

In Kalurghat, among the early entrants was C&A Group, which since 2000 had occupied nine plots for knitting, dyeing, printing, packaging and garments.

The firm shut down after defaulting on loans. Its subsidiary, C&A Textiles Ltd, once

Islam also criticised service charges at BSCIC, which he said are four times higher than taxes on private land but without matching services, making private plots more appealing.

The Chattogram District Office of BSCIC admits that limited funds make proper maintenance difficult.

SM Alamgir Quadery, deputy general manager of BSCIC, said that the budget is so tight that repairs focus only on the worst roads.

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Should banks invest in govt securities?

ASIF KHAN

There is a growing debate in Bangladesh over whether banks' heavy investment in treasury securities, instead of lending to the private sector, reflects a failure of the sector. After all, we have long understood that banks are supposed to lend to businesses, entrepreneurs and individuals to help drive economic growth. With private sector credit growth dwindling at 7.5 percent, some are calling for penalties or restrictions on banks that invest in treasury securities.

But the reality is far more nuanced. In fact, banks allocating capital to government securities under current conditions is entirely rational and even desirable, given the broader economic, financial and regulatory context that shapes their decisions.

The primary role of monetary policy is to regulate aggregate demand by influencing the cost and availability of credit in the economy. When the Bangladesh Bank raises policy rates, currently at 10 percent, its goal is to curb excessive credit expansion, limit borrowing and cool inflationary pressures.

If banks were still expanding credit rapidly at these high rates, that would actually indicate a failure of monetary policy, as the intended tightening would not be taking effect. Instead, the slowdown in private sector credit growth confirms that tighter monetary conditions are working as intended.

Banks are doing what monetary policy has encouraged them to do, which is to be more cautious in their lending decisions. Banks, like any profit-driven institution, respond to risk and return trade-offs. With government securities offering attractive yields, such as 91-day bills yielding around 12 percent, it is economically rational for banks to allocate more of their portfolios to these instruments. This is particularly true in a high risk macroeconomic environment where private borrowers may be struggling with profitability or creditworthiness.

Banks have a duty to protect their depositors' funds and maintain financial stability. If policymakers want to change this behaviour, the solution lies in adjusting incentives, not in criticising banks for playing by the current rules. This could mean lowering policy interest rates to reduce the cost of government borrowing. It could also involve cutting fiscal deficits to lessen the government's borrowing needs and reduce bond issuance, making government securities less dominant in the financial system.

Another overlooked factor is capital adequacy. Following the 2008 global financial crisis, banks in North America and Europe sharply reduced lending to strengthen their capital buffers and protect themselves against future shocks. Bangladesh's banking sector is facing a similar capital shortfall today, with many banks under pressure to improve balance sheet health and meet regulatory requirements.

Government securities offer a low-risk, capital-efficient investment option that helps stabilise bank portfolios without adding to credit risk. In this context, investing in treasuries is not a sign of negligence or complacency. It is a prudent and responsible move under conditions of regulatory and financial stress.

This pattern of behaviour is by no means unique to Bangladesh. It is a common outcome in countries that run tight monetary policies to control inflation, while maintaining liberal fiscal policies that require sustained government borrowing. In many economies, particularly following a rise in bad loans or a financial crisis, banks have shifted their portfolios towards government securities in much the same way.

Banks investing in government securities is not inherently wrong, inefficient or harmful. It is a rational response to high policy interest rates, elevated government borrowing, weak private sector demand and ongoing capital adequacy issues. Rather than viewing this as a structural flaw of the banking sector, it should be seen as a predictable outcome of current macroeconomic policies. The path forward lies in coordinated monetary and fiscal reforms that align incentives and create conditions for sustainable credit growth. Blaming banks for responding logically to the policy environment will not address the underlying challenges.

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Middle East conflict slows tanker bookings

REUTERS, Singapore

The costs of chartering tankers to move oil from the Middle East to Asia have climbed and ship bookings have slowed as the Israel-Iran conflict fuels worries of potential disruptions, industry sources told Reuters on Monday.

The global benchmark rate for a very large crude carrier (VLCC) moving oil from the Middle East Gulf (MEG) to Japan, known as TD3, rose over 20 percent on Friday after the tensions broke out, according to LSEG data.

On Monday, the MEG-Japan rate for crude held steady at about W55 on the Worldscale industry measure, according to a shipbroker.

However, further gains in freight rates were limited as traders, shipbrokers and charterers take a wait-and-watch stance even as market participants said they did not expect the Strait of Hormuz, a key shipping passage, to be shut.

"Fixing on Friday from the region all but came to a standstill. Physical marks may therefore not be indicative. Ships inside the gulf are still looking for outbound charters," said Anoop Singh, global head of shipping research at Oil Brokerage.

"But the situation remains dynamic, and we expect to hear more on market open today," said Singh.

"We have noted a minor increase in freight rates so far, but expect them to rise further as the week progresses," according to Sentosa Shipbrokers.

Emril Jamil, senior analyst for crude and fuel oil at LSEG Oil Research, said freight rates will depend on any continued escalation and potential action by Iran on the Strait of Hormuz.

US pushes Vietnam to decouple from Chinese tech, sources say

REUTERS, Hanoi

The United States is pushing Vietnam in tariff talks to reduce the use of Chinese tech in devices that are assembled in the country before being exported to America, three people briefed on the matter said.

Vietnam is home to large manufacturing operations of tech firms such as Apple and Samsung, which often rely on components made in China. Meta and Google also have contractors in Vietnam that produce goods such as virtual reality headsets and smartphones.

The Southeast Asian nation has been organising meetings with local businesses to boost the supply of Vietnamese parts, with firms showing willingness to cooperate but also warning they would need time and technology to do so, according to one person with knowledge of the discussions.

The Trump administration has threatened Vietnam with crippling tariffs of 46 percent which could significantly limit access for Vietnam-made goods to their main market and upend the Communist-run country's export-oriented growth model.

Vietnam has been asked "to reduce its dependency on Chinese high-tech," said



This photo shows workers assembling electric motorbikes at the Selex factory in Hanoi. Vietnam is home to large manufacturing operations, which often rely on components made in China.

PHOTO: AFP/FILE

one person familiar with the discussions. "That is part of the restructuring of supply chains and would in turn reduce US dependency on Chinese components,"

the person added.

The ultimate objective is to speed up US decoupling from Chinese high-tech while increasing Vietnam's industrial

capacity, a second person said, citing virtual reality devices as an example of Vietnam-assembled products that are too dependent on Chinese technology.

All sources declined to be identified as the discussions were confidential. Reuters was not able to learn if the US has proposed numerical targets such as caps on Chinese content for "Made in Vietnam" goods or different tariff rates based on the amount of Chinese content.

Apple, Samsung, Meta and Google did not reply to Reuters requests for comment. As the US-imposed deadline of July 8 nears before the tariffs take effect, the timing and scope of a possible deal remain unclear.

All sources stressed that while the US has made broader requests for Vietnam to reduce its reliance on China, tackling the issue of Chinese high-tech content in exports was a key priority.

Last year, China exported around \$44 billion of tech such as electronics components, computers and phones to Vietnam, about 30 percent of its total exports to the country. Vietnam shipped \$33 billion of tech goods to the United States or 28 percent of the US-bound exports. Both flows are on the rise this year, according to Vietnam's customs data.