Chinese factory, consumer activities slow

AFP, *Beijing*

China's economy showed further signs of weakness last month, with key data Monday revealing factory output and consumption rising at their weakest pace for around a year.

Beijing has struggled to fully reignite the world's number two economy since the end of the Covid-19 pandemic, with the once-booming property sector mired in a debt crisis and exports facing mounting headwinds.

The trends have contributed to a slump in consumer confidence, dragging on activity and threatening leaders' official growth target for this year of around five percent.

Industrial production edged up 5.2 percent year-on-year in August, according to data from the National Bureau of Statistics (NBS), the slowest pace since the same month last year.

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The figure missed the 5.6 percent growth forecast in a Bloomberg survey of economists.

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"While some of this reflects temporary weather-related disruptions, underlying growth is clearly sliding, raising pressure on policymakers to step in with additional support," she said.

The NBS also said retail sales climbed 3.4 percent last month -- the slowest since November and falling short of the 3.8 percent estimated in the Bloomberg survey.

The figure is another sign of China's protracted spending slump, which has also raised fears of a deflationary spiral weighing down growth.

China's vast real estate sector once served as a key driver of economic growth, fuelled by decades of rapid urbanisation and improved living standards.

But the industry entered its current downturn in 2020 as the debt of several leading firms soared and major projects stalled.

Manufacturers say removing the barriers could transform the Barishal BSCIC Industrial Estate into a model industrial hub for the south, creating jobs for at least 50,000 people. PHOTO: TITU DAS

Barishal BSCIC estate limping amid gas, infrastructure crises

SUSANTA GHOSH *and* MOHAMMED JAMIL KHAN

Barishal BSCIC Industrial Estate still does not have full factory infrastructure and services more than six decades after its establishment. Despite the Padma Bridge opening several years ago, which improved links with the capital, the estate has no industrial gas supply.

Besides, regulatory issues have also weakened its business climate, leaving at least two-thirds of the plots idle.

Factories have shut down on many of the plots that were allocated, while some others have yet to start production.

A number of entrepreneurs told The Daily Star that the estate offers little support to businesses. They cited uncertainty over gas supply, an inactive owners' association following the political changeover last year and continuing red tape.

Currently, only a few factories are running at the estate under the Bangladesh Small and Cottage Industries Corporation (BSCIC). Some firms have succeeded mainly through their own efforts, but most are struggling just to stay afloat.

Manufacturers say removing the barriers could transform the estate into a model industrial hub for the south, creating jobs for at least 50,000 people.

The 131-acre industrial site in Ward-1 of Barishal City Corporation was established in 1960. Official records show that of 97 acres of industrial plots, 60 acres hold 115 active plots, with about 20 more producing intermittently. At least 38 plots have never gone into production.

Khan Sons Textile Ltd holds 27 acres but runs only a few plots at limited capacity.

Another 93 plots developed over 20 acres between 2017 and 2021 at a cost of Tk 71 crore remain vacant. Four factories built between 1994 and 2000 have been shut for nearly three decades.

Across the estate, stretches of empty land overgrown with grass sit alongside completed roads, drains, streetlights and boundary walls.

Abdur Rahman, manager of Bengal Biscuit, said production costs in the estate are higher than in Narayanganj due to the lack of industrial clustering. "The absence of gas supply is another major obstacle," he added.

Some firms at the BSCIC estate have succeeded mainly through their own efforts, but most are struggling just to stay afloat

Touhidul Islam of Nimmark Fashion Ltd said he moved part of a garment factory from Narayanganj five years ago, but had to halt production for want of gas. "I took the plot 12 years ago, but still cannot go into production," he said.

The estate hosts a handful of successful ventures, notably Fortune Shoes Factory, a 100 percent export-oriented unit. Fortune Group runs nine shoe and packaging factories here, employing more than 5,000 workers with investments exceeding Tk 500 crore.

ASM Jahangir Kabir, general manager of Fortune Group, said foreign buyers prefer visiting clusters of industries.

"We invested Tk 2,000 crore in five factories in Dhaka, employing 10,000 people. The same could have been done in Barishal if the environment were supportive," he said.

Other successful businesses in the estate include biscuit makers, bakeries, printing presses, furniture workshops, bottled water plants and aluminium crockery producers. In total, more than 7,000 people work at the estate.

Total investments in the estate crossed Tk 817 crore last year, while the government collected about Tk 1 crore in taxes.

Entrepreneurs said lease rates, previously Tk 2 lakh per acre for 99 years, are being revised upwards, discouraging new investment.

Business leaders also pointed to the divisional VAT office still being in Khulna, past licensing harassment and poor air links as barriers. Barishal Airport currently has only one flight to Dhaka a week.

Alamgir Hossain, president of the Industrial Owners' Association, acknowledged that more plots are closed than active.

He urged the authorities to convene the land allocation committee, chaired by the deputy commissioner, to decide on new allocations.

Md Nazrul Islam, deputy general manager of BSCIC Barishal, admitted vacant plots remain a major issue. "Although the environment has improved, problems like gas connections must be resolved before investors feel encouraged," he said.

Golam Rasul, BSCIC industrial estate officer in Barishal, said the authority is working to create an industry-friendly environment and holds regular meetings with entrepreneurs.

"First, gas has to come to Barishal. Once that happens, BSCIC will take steps to ensure supply to the industrial estate," he said.

At a press conference at the Barishal Circuit House on Saturday, Shipping, Labour and Employment Adviser Brig Gen (retd) M Sakhawat Hussain said that they were making serious efforts so that gas could come from Bhola to Barishal.

"Hopefully, we will be able to make some progress on this matter," he added.

Stocks edge up on banking gains

STAR BUSINESS REPORT

Trading on the Dhaka Stock Exchange (DSE) ended slightly higher yesterday, reversing the losses of the previous session, buoyed by gains in banking sector shares.

The DSEX, the benchmark index of the bourse, rose 6.36 points, or 0.11 percent, to close at 5,474.71, according to DSE data.

Other indices also performed positively. The Shariah-based DSES increased 0.08 percent to 1,186.36, while the blue-chip DS30 went up 0.28 percent to 2,135.04.

Turnover, a key indicator of investor activity, stood at Tk 706.32 crore, down from Tk 732.56 crore in the previous session.

The market closed in the green, while large-cap sectors posted mixed performance, said BRAC EPL Stock Brokerage Ltd in its daily market update.

Block trades, high-volume transactions involving large numbers of securities, contributed 6.2 percent of the overall market turnover.

Market breadth was mixed, with 117 issues advancing against 199 declining, while 86 remained unchanged.

Among the major sectors, banking booked the highest gain of 1.07 percent, followed by engineering (0.53 percent), telecommunication (0.32 percent), and fuel & power (0.10 percent), BRAC EPL said.

Techno Drugs was the most traded share with a turnover of Tk 24 crore.

On the day's performance table, Rupali Bank surged 9.95 percent to top the gainers' list, while Prime Finance & Investment dropped 7.14 percent, becoming the worst performer of the session.

Democrats press Trump for a trade deal that curbs China's production

REUTERS

US Democrats have asked the Trump administration to press China to curb "structural overproduction", essentially overhauling Beijing's economic model, as Treasury Secretary Scott Bessent holds talks with Chinese officials in Spain.

Democratic members of a House of Representatives committee on China said any bilateral trade deal should include "binding requirements" on Beijing to reduce industrial overcapacity, according to a letter they sent to Bessent and other top trade officials on Friday and seen by Reuters.

China produces far more manufactured goods than can be consumed domestically, fuelling huge shipments abroad and price wars at home. While Chinese officials have repeatedly rejected US assertions about overcapacity, Beijing has launched a campaign against deflation and price wars in some sectors.

Bessent and Trade Representative Jamieson Greer, addressed in the letter along with Commerce Secretary Howard Lutnick, began talks in Madrid on Sunday with a Chinese team led by Vice Premier He Lifeng. The departments of the Treasury and Commerce did not respond to questions about the letter.

"We have repeatedly stated that hyping up the so-called overcapacity in China, which deviates from objective facts and economic laws, is providing an excuse for protectionism," said Lin Jian, spokesman at Chinese foreign ministry.

"Its true purpose is to curb China's high-quality development. We firmly oppose this."

The letter from members of the House Select Committee on China, repeating arguments made by the Biden administration, especially former Treasury Secretary Janet Yellen, is unlikely to move Donald Trump's Republican administration. However, it underlines the depth of concern about China in Washington, where bipartisan agreement is rare.

"The PRC's historic and destructive use of structural overproduction to drive economic growth comes at an indisputable cost to US industry, employment, and the stability of international markets," says the letter, referring to China's official name, the People's Republic of China.

Russia revives barter trade to dodge Western sanctions

REUTERS, *Moscow*

Old-fashioned barter is on the rise in Russia's foreign trade for the first time since the 1990s, as companies seeking to outfox Western sanctions swap wheat for Chinese cars and flax seeds for building materials.

Even as Russia builds warm ties with China and India, the return of barter shows just how far the war in Ukraine has distorted trading relationships for the world's biggest producer of natural resources, three decades after the 1991 collapse of the Soviet Union ushered in Russian economic integration with the West.

The United States, Europe and allies have imposed more than 25,000 different sanctions on Russia over the 2022 war in Ukraine and the 2014 annexation of Crimea in a bid to sink Russia's $2.2 trillion economy and undermine support for President Vladimir Putin.

Washington has also hit India with tariffs in response to New Delhi's oil trade with Russia.

Putin says Russia's economy has outperformed expectations. It grew faster over the past two years than G7 countries, despite Western predictions of a crash. He has ordered businesses and officials to defy sanctions in every way they can.

However, there are growing signs of strain on the economy, which the central bank now shows to be technically in recession and which suffers high inflation.

Some punitive measures - particularly the disconnection of Russian banks from the SWIFT payments system in 2022 and Washington's warnings to Chinese banks last year against supporting Russia's war effort - have stoked fears of secondary sanctions.

"Chinese banks are afraid of being placed on sanctions lists, under secondary sanctions, so they do not accept money from Russia," a source in the payment market told Reuters.

Those concerns appear to be behind the emergence of barter transactions, which are much harder to trace. In 2024, Russia's economy ministry issued a 14-page "Guide to Foreign Barter Transactions," advising businesses on how to use the method to skirt sanctions. It even proposed the creation of a trading platform that would work as a barter exchange.

"Foreign trade barter transactions allow the exchange of goods and services with foreign companies without the need for international transactions," the ministry document said, citing "conditions of sanctions restrictions."

Global markets are holding their breath, with three crucial central bank decisions in one week.

Until recently, there was little evidence of commercial interest in such transactions. However, last month, Reuters reported that China's Hainan Longpan Oilfield Technology Co. was seeking to trade steel and aluminium alloys in exchange for marine engines.

The company did not respond to a request for comment.

For this story, Reuters was able to identify eight such transactions of goods-in-kind based on trade sources, public statements from customs services and company statements. The transactions have not been previously reported.

While the news agency could not establish the overall value or volume of barter in the Russian economy due to the opacity of the transactions, three trade sources said the practice was becoming more frequent.

"The growth of barter is a symptom of de-dollarisation, sanctions pressure and liquidity problems among partners," Maxim Spassky, Secretary of the General Council of the Russian-Asian Union of Industrialists and Entrepreneurs, an industry body, told Reuters. Spassky said barter volumes were likely to grow further.

One of the trade sources - who spoke on condition of anonymity due to the sensitivity of the information - said the system helped circumvent sanctions that disconnect Russian banks from dollar and euro transactions.

Three analysts said a possible indication of the scale of barter was a widening divergence between the foreign trade statistics of the central bank and the customs service's own data, which reached $7 billion in the first half of this year.

In response to a request for comment, Russia's customs service confirmed barter was carried out with different countries "for a wide range of goods." It said, however, the number of barter transactions was insignificant compared to overall foreign trade contract volumes.

Russia's foreign trade surplus in January - July decreased by 14 percent compared to a year earlier, to $77.2 billion, according to published data from the Federal Customs Service. Exports during this period decreased by $11.5 billion to $232.6 billion, while imports increased by $1.2 billion to $155.4 billion.

The government and central bank declined to discuss barter with Reuters beyond saying that there was no data available on such transactions as they would be included in the overall figures if reported lawfully. One source close to the government said that the data divergence could be due to differences in methodology.

In one transaction identified by Reuters from two trade sources, Chinese cars were traded for Russian wheat. According to one of the sources, the Chinese partners in the deal asked their Russian counterparts to pay in grain. The Chinese partners bought the cars in China for yuan. The Russian partner bought grain with roubles. Then the wheat was exchanged for cars.

Reuters could not establish the volumes traded, nor the mechanism by which the traders decided the value of the grain or the cars.

In two other transactions, flax seeds were exchanged for goods including household appliances and building materials from China, customs statements show. Experts with knowledge of Russia's external trading said one of the flax deals, registered in a 2024 statement by Russia's customs service of the Urals region, was estimated to be worth in the region of $100,000.

Agricultural workers operate combines and trucks in a field during wheat harvesting in the Omsk region, Russia. In one transaction identified by Reuters from two trade sources, Chinese cars were traded for Russian wheat. PHOTO: REUTERS/FILE