

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY
▲ 0.39%	▲ 0.42%	\$1,576.80	\$59.46	▼ 0.46%	▼ 0.55%	▼ 1.81%	Closed	BUY TK 83.95	91.70	108.97	11.90
4,510.77	8,316.77	(per ounce)	(per barrel)	40,966.86	23,215.71	3,181.25		SELL TK 84.95	95.50	112.77	12.50

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DHAKA WEDNESDAY JANUARY 29, 2020, MAGH 15, 1426 BS starbusiness@thedailystar.net

Private sector's appetite for credit craters

Hits the lowest since 2008 last month

AKM ZAMIR UDDIN

Private sector credit growth dropped to the lowest since 2008 in December last year, in continuation of its downward trend of the previous 21 months.

In December last year, the year-on-year credit growth stood at 9.83 percent, down from 9.87 percent from one month earlier, according to Bangladesh Bank data, which goes as far back as 2008.

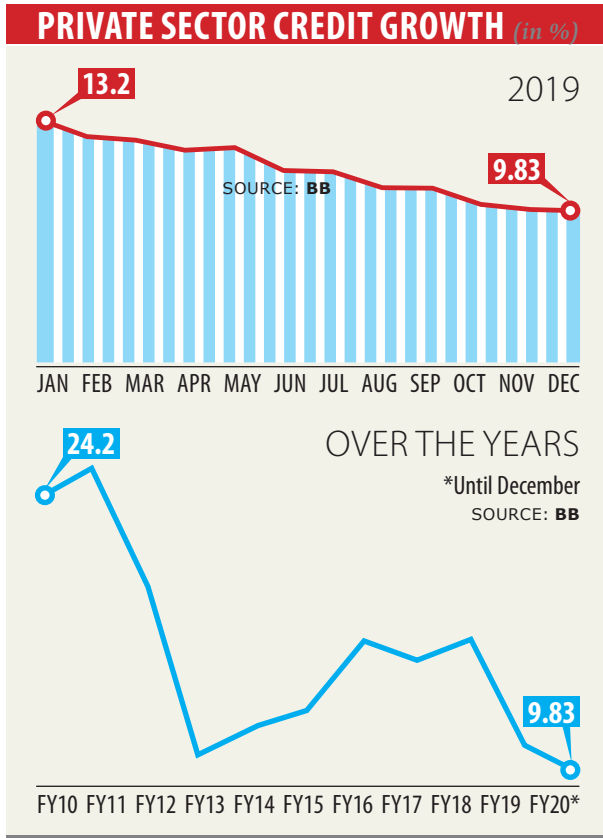
"Private sector credit growth will decline significantly within the next three to four months if the government continues to borrow from banks heavily," said Ahsan H Mansur, executive director of the Policy Research Institute.

As of January 15, the government borrowed Tk 50,842 crore from the banking sector, exceeding its annual limit of Tk 47,364 crore for fiscal 2019-20.

The large revenue shortfall has compelled the government to borrow so heavily from banks, Mansur said.

As per the National Board of Revenue's provisional data, it logged in Tk 105,161 crore in collections for the first half of the fiscal year, up 7.3 per cent year-on-year. The sum missed the periodic target by Tk 31,507 crore.

The central has recently been forced to revise its



key monetary and credit programmes, setting a fresh government sector credit growth of 37.7 per cent for fiscal 2019-20. In July last year, it had set the target of 24.3 per cent.

Besides, the government's recent decision to fix 6 per cent interest rate for deposits and 9 per cent for lending will create an extra pressure on private sector credit growth, said Mansur, also the chairman of Brac Bank.

Some banks have already started slashing the interest rate on deposit as per the government decision, which have forced depositors to withdraw their money.

"This will erode the banks' liquidity base further and shrink their capacity to disburse loans," he said.

Banks will also take a cautious stance in disbursing loans to private sector given the 9 per cent interest rate for lending as they will think the rate

will not fetch them good profits, said Fahmida Khatun, executive director of the Centre for Policy Dialogue.

Businesspeople will not show interest in expanding their business as the country's business climate is far from ideal and that has hit the credit growth.

"Although Bangladesh advanced 8 notches in the World Bank's ease of doing business ranking to 168 out of 190 countries, this is not enough to give a boost to businesses."

Inadequate infrastructure, corruption and bureaucratic complexities discourage businesses from going for expansion by taking bank loans.

"The country has been enjoying political stability for months. But businesses are still dealing with unpredictability."

Against the backdrop, a portion of people are laundering money abroad for want of business-friendly environment, Khatun added.

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'We will eat shares of other companies'

Says the CEO of Kansai Nerolac Paints, the new entrant to Bangladesh's paint market

KHONDOKER MD SHOYEB

Being amongst the fastest growing nations in the world in recent years, it is natural to assume that foreign companies would want in on Bangladesh.

So it was not a surprise that Japanese Kansai Paint shelled out \$7 million or Tk 57.26 crore in 2018 for a 55 per cent stake of RAK Paints through its Indian subsidiary Kansai Nerolac Paints.

"To start in Bangladesh, we wanted

to tie up with a good and compliant company, as Japanese people value transparency - and that's why we chose RAK Paints," Vishal N Mothreja, chief executive officer of Kansai Nerolac Paints Bangladesh, told The Daily Star in a recent interview.

Established in 2009, RAK Paints had been a prominent name in the decorative and industrial paints sector with a turnover of more than Tk 100 crore on June 30, 2017.

"The team up was a win-win situation for both sides," he said, adding that being a Japanese company gives Kansai Paint better leverage as Bangladeshi people love Japanese brands due to their superior quality.

Kansai Nerolac Paints wasted no time in making a space for itself in Bangladeshi consumers' heart: it clinched the contract to supply paint to the Dhaka metro rail project.

The paint industry is growing at around 10 per cent a year.

"We will eat shares of other companies. We are now spending on contractors, marketing, consumers, painters, architects."

The growth of the local automotive industry has also attracted Kansai Nerolac to Bangladesh.

"The increased number of two-wheelers hitting the road every day is creating new business opportunities for us," said Mothreja, adding that almost 70 per cent of the cars manufactured in India use Kansai Nerolac.

A 101-year-old company, Kansai Paint entered India by acquiring 75 per cent stakes in Nerolac in 1999. Today, it is the largest industrial paint and third largest decorative paint company of India, with five paint manufacturing facilities across the country.

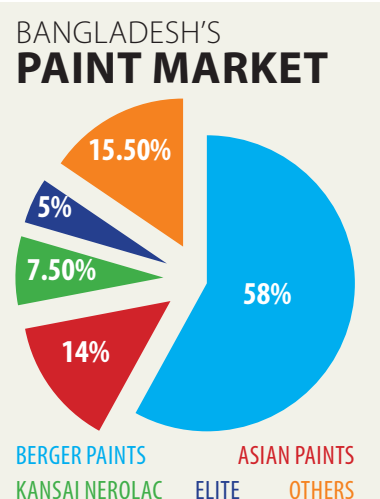
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Vishal N Mothreja

KANSAI NEROLAC'S BANGLADESH FORAY THUS FAR:

- » Forks out Tk 57.26cr for 55pc stakes of RAK Paints
- » The acquisition took place in Jun 2018
- » Launched 7 varieties of Nerolac products in Feb 2019
- » Growing at 25pc since acquisition
- » Scores contract to supply paint for Dhaka's Metro rail



From left, Michael Patrick Foley, Grameenphone's outgoing CEO; Yasir Azman, incoming CEO; and Jens Becker, chief financial officer, pose at its office in Dhaka yesterday after the mobile operator published last year's financial statement.

GP takes first hit in bout with BTRC

Profits down, lower dividend announced

STAR BUSINESS REPORT

Grameenphone's net profits last year contracted about 2 per cent to Tk 3,450 crore after seven years of positive growth, as its battle with the telecom regulator is started to draw blood from it.

This has pushed the operator, which is the largest listed company on the Dhaka Stock Exchange by market capitalisation, to declare its lowest dividend in nine years: it announced 130 per cent cash dividend for its shareholders, down from 280 per cent in 2018.

The news has sent its stock down 1.99 per cent yesterday to Tk 266.

From July last year the country's leading mobile phone operator is combatting either bandwidth restrictions or a bar on network maintenance equipment imports, which impacted its service quality. And yet, its revenue increased 8.1 per cent year-on-year to 14,370 crore.

"We have delivered a solid business performance," said Michael Patrick Foley, Grameenphone's outgoing chief executive officer.

Thanks to excellent execution in the market and its network leadership position, Grameenphone has been able to navigate the many challenges that impacted its day-to-day operations.

"2019 was a particularly tough year for Grameenphone on the regulatory front."

The operator is in loggerheads with the Bangladesh Telecommunication Regulatory Commission over claims of unpaid dues amounting to Tk 12,579.95 crore.

In the fourth quarter Grameenphone was able to complete its ambition of rolling out 10,000 4G sites throughout their network, and with an added focus on 4G SIM

conversion, they ended the year with 1.19 crore 4G users, Foley added.

Grameenphone also has secured 24.01 per cent net profit against total revenue, which also declined after four years of consecutive growth, according to the financial statement.

"Investors are disheartened with the lower dividend announcement," said a merchant banker requesting anonymity.

Since its regulatory tussles began in March last year, Grameenphone's stock price plunged about 31.80 per cent.

Grameenphone alone snatched about 10 points from DSEX, the benchmark index of the premier bourse.

It was the second most traded stock: about 6.15 lakh shares worth Tk 16.35 crore changed hand yesterday. Fuad Hossain, a stock investor, said he was panicking in the last few months as Grameenphone's share price tumbled.

And yet he did not offload his shares. Not just that, he snapped up more stocks of Grameenphone, which is always generous with dividends, last week expecting higher dividends as the company's earnings grew.

"I am now disappointed," he said, adding that the company has handsome reserves.

Grameenphone's reserves and surpluses stood at Tk 2,123.26 crore, according to the data from the DSE.

However, Grameenphone its official response said this proposal has been made by the board in alignment with its dividend policy and current uncertainties.

Grameenphone's data revenue at Tk 2,990 crore is up 17 per cent year-on-year, while its voice revenue expanded 8.5 per cent.

It acquired more than 38 lakh new

subscribers in last year, reporting a total of 7.65 crore subscribers at the

BY THE NUMBERS

Revenue in 2019:	Tk 14,370cr
Revenue in 2018:	Tk 13,280cr
Data revenue in 2019:	Tk 2,990cr
Data revenue in 2018:	Tk 2,550cr
Active SIMs at the end of 2019:	7.65cr
Active SIMs at the end of 2018:	7.27cr
Active internet users at the end of 2019:	4.06cr
Active internet users at the end of 2018:	3.71cr
Average earning per customer in 2019:	Tk 156
Average earning per customer in 2018:	Tk 157
Population coverage:	99.6%
Geographical coverage:	96.0%
4G population coverage:	74.5%

end of 2019.

It also reached four crore active internet data users and ended the year with 4.06 crore users, which is 53.1 per cent of its total subscribers.

"We witnessed healthy growth in data revenue and data usage and we want to reiterate our commitment towards meaningful consultations between our industry and our government that can enrich our service propositions and facilitate the current growth momentum of the country," Foley said.

Grameenphone chief financial officer Jens Becker said they have reported a solid business performance with strong margins in the fourth quarter of 2019.

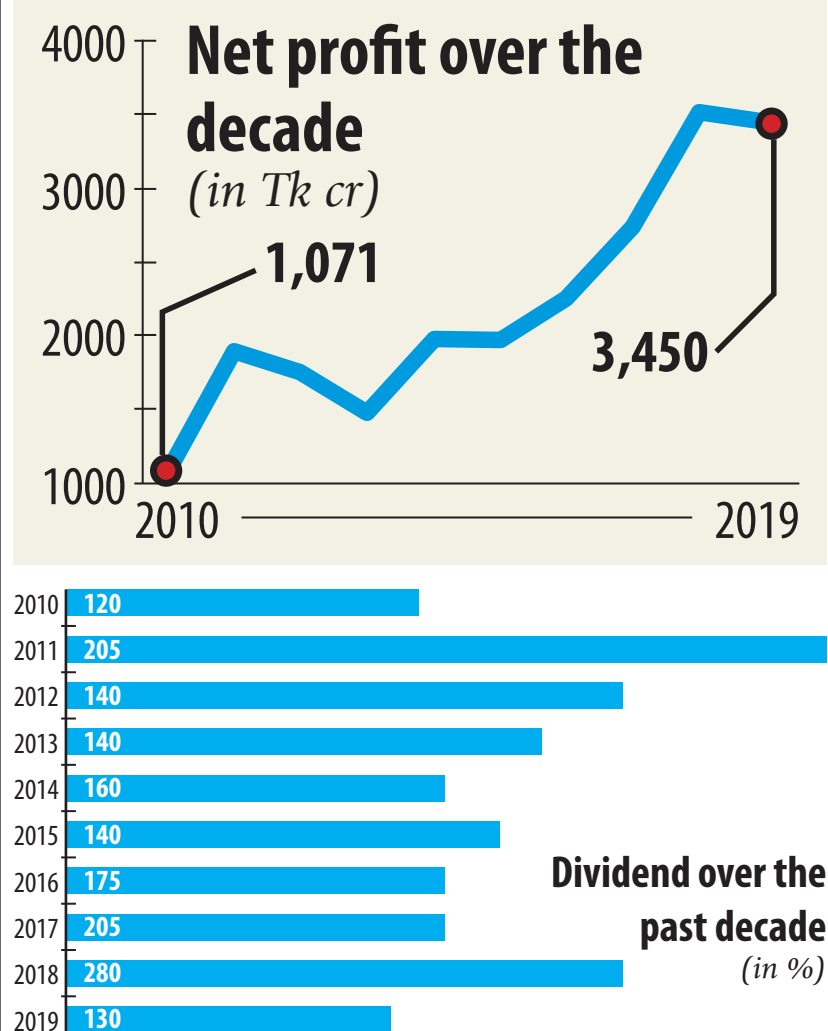
"We experienced a solid growth despite aggressive competition in data and seasonality challenges during this quarter. We will continue investing in the country and building a strong network and distribution ecosystem in order to deliver value to our shareholders and our customers," he added.

Last year, Grameenphone has invested Tk 1,390 crore to modernise network for the 4G rollout and other services, down from Tk 3,400 crore it spent a year earlier.

In the fourth quarter, it invested Tk 390 crore for network coverage, less than what was planned for, as a result of the bar on equipment import.

It added 715 new 4G sites along with network modernisation; the total number of sites stands at 16,508.

The operator's profit after taxes for the fourth quarter was Tk 920 crore, with a 25.4 per cent margin. Earnings per share (EPS) for the period stood at Tk 6.81. Grameenphone also paid out Tk 8,510 crore, which is equivalent to 59.2 per cent of its total revenues, to the national exchequer in the form of taxes, VAT, duties, fees, 4G licence and spectrum assignment.



Dividend over the past decade (in %)



Hirotoshi Ishida, president of Honda Foundation; Himihiko Katsuki, CEO of Bangladesh Honda Private Ltd (BHL); Jamilur Reza Choudhury, vice chancellor of the University of Asia Pacific; and Shah Muhammad Ashequr Rahman, head of finance and commercial at BHL, pose with the winners of the Honda Young Engineer and Scientist's Award at the Westin Dhaka yesterday. The foundation arranged the award programme through BHL and the Japan International Cooperation Centre to foster future leaders of science and technology fields. Each of the award winning BUET students—Tonushree Dutta, Tahsina Alam, Shashata Sawmya and Satyaki Banik—received certificate and \$3,000.

US core capital goods orders record largest drop in eight months

REUTERS, Washington

New orders for key US-made capital goods dropped by the most in eight months in December and shipments were weak, suggesting business investment contracted further in the fourth quarter and was a drag on economic growth.

Business spending remains one of the weak spots in the economy. Housing, the other laggard, is regaining momentum in response to the Federal Reserve's three interest rate cuts last year. Officials from the US central bank were scheduled to start a two-day policy meeting on Tuesday.

They are expected to reiterate the Fed's desire to keep rates unchanged at least through this year. Weak business investment and the resulting slump in manufacturing have been on the radar of Fed officials who have blamed trade tensions, especially the White House's 18-month trade war with China, and an uncertain global economic growth outlook for the malaise.

Though tensions have eased with the signing this month of a "Phase 1" trade deal between Washington and Beijing, Boeing continues to loom over manufacturing.

Boeing this month suspended production of its troubled 737 MAX jetliner, which was grounded last March following two fatal crashes.

The Commerce Department said on Tuesday orders for non-defense capital goods excluding aircraft, a closely watched proxy for business spending plans, fell 0.9 per cent last month as demand for machinery, primary metals and electrical equipment, appliances and components declined.

That was the largest decrease since April. Data for November was revised lower to show these so-called core capital goods orders edging up 0.1 per cent instead of gaining 0.2 per cent as previously reported. Economists polled by Reuters had forecast core capital goods would be unchanged in December.

Core capital goods orders rose 0.8 per cent in 2019. Shipments of core capital goods decreased 0.4 per cent last month. Core capital goods shipments are used to calculate equipment spending in the government's gross domestic product measurement. They declined by an unrevised 0.3 per cent in November.

Markets suffer more losses as China virus death toll rises

AFP, Hong Kong

Asian markets tumbled again Tuesday, extending a global sell-off as the toll from a rapidly spreading Chinese virus spiked to more than 100 dead and thousands infected, with investors fretting over the impact on an already fragile world economy.

Traders have been running for the hills as the coronavirus is reported in more countries, with oil also tanking on expectations that demand in China, the world's top consumer of the commodity, will be hammered.

The outbreak comes during the Lunar New Year break when hundreds of millions of people criss-cross China and spend huge amounts of money.

The government has sealed off Wuhan, the epicentre of the outbreak, and other cities in Hubei province, effectively trapping tens of millions of people, including thousands of foreigners, in a bid to contain the virus.

It has also extended the holiday, initially due to end on January 30, for three days to limit population flows.

Analysts said there were growing fears the crisis could become as bad as the SARS outbreak that hammered markets and the global economy 17 years ago.

The VIX "fear" index, which measures market volatility, soared by a quarter Monday to its highest level since October,

when investors were worried about the China-US trade talks.

The crisis comes just as the world economy was showing signs of stability after a long-running growth slowdown.

"Given that China has rapidly increased its role in the global supply chains, the market continues to price in the worst case, negative growth shock scenarios," said AxiCorp's Stephen Innes.

"For the most part, traders are flying blind, knowing nothing about the actual implications of (the virus) for global growth," he said, adding that "there remains a growing sense in the market that contagion levels could get worse before they get better."

Seoul plunged more than three percent and Singapore shed more than two percent while Sydney was off 1.4 percent as investors in those markets returned from a long holiday weekend.

Manila, Jakarta and Wellington both lost more than one percent, while Tokyo ended 0.6 percent down. The losses tracked hefty selling in Europe and New York.

"This is now a sell first, ask questions later situation," Alec Young at FTSE Russell said. "Markets hate uncertainty, and the coronavirus is the ultimate uncertainty -- no one knows how badly it will impact the global economy. China is the biggest driver of global growth, so this couldn't have started in a worse place."

UK approves restricted Huawei role in 5G network

AFP, London

Britain on Tuesday greenlighted a limited role for Chinese telecoms giant Huawei in the country's 5G network, but underscored that "high risk vendors" would be excluded from "sensitive" core infrastructure.

London's decision, following a meeting of the National Security Council chaired by Prime Minister Boris Johnson, came shortly after Brussels said it would allow Huawei a limited 5G role in the European Union.

"We want world-class connectivity as soon as possible but this must not be at the expense of our national security," Britain's Digital Secretary Nicky Morgan said in reference to high-speed fifth generation networks that offer almost instantaneous and reliable data transfer.

"High risk vendors never have been and never will be in our most sensitive networks," she insisted.

Huawei welcomed news that it would have at least a limited role in building Britain's high-speed fifth generation networks,



AFP/FILE

The logo of Chinese company Huawei is seen at their main UK office in Reading, west of London.

after Washington lobbied hard for the company to be sidelined completely on security concerns.

"Huawei is reassured by the UK government's confirmation that we can continue working with our customers to keep the 5G roll-out on track," said Huawei Vice-President Victor Zhang.

"This evidence-based decision will result in a more advanced,

more secure and more cost-effective telecoms infrastructure that is fit for the future." Washington has banned Huawei from the rollout of the next generation mobile networks because of concerns -- strongly denied -- that the firm could be under the control of Beijing.

Unlike the United States, Britain has been using Huawei technology in its systems for the past 15 years.

The US had threatened to limit intelligence sharing with London in the event of Huawei winning a UK role. All eyes will now be on Washington's response to Tuesday's announcements.

The matter could hinder the chances of a favourable Britain-US trade deal after Brexit, according to analysts.

Johnson on Monday insisted that the UK can have "technological progress" while preserving national security.

There has been intense debate in Europe and the US about whether or not to exclude Huawei from developing 5G.

However in Brussels on Tuesday, a top European Union official said the bloc would not ban Huawei and would instead impose "strict" rules.

US President Donald Trump has already ordered American firms to cease doing business with market leader Huawei, and urged allies to follow suit.

Trump's Secretary of State Mike Pompeo on Sunday declared that Britain faced a "momentous decision".



RFL

RN Paul, managing director of RFL Group, poses at a dealer conference of the Rangpur Foundry Ltd (RFL) at RFL Industrial Park at Kaliganj in Gazipur on Friday.



BERGER PAINTS BANGLADESH

Gerald K Adams, chairman of Berger Paints Bangladesh, and Rupali Chowdhury, managing director, open the company's experience zone at Swadeshi Bazar in Mymensingh on Monday.

Tata launches 'ecosystem' to kickstart Indian clean vehicles

REUTERS, Mumbai

India's Tata Group is making its biggest push yet toward clean vehicles with plans to make electric cars and batteries, set up charging stations and build a battery recycling plant, senior executives said on Tuesday.

To try to curb pollution and reduce its fuel import bill, India is pushing automakers to produce electric vehicles, but has faced resistance from some that say the charging infrastructure needs to be set up first and battery costs are too high to allow the manufacture of affordable EVs.

Companies from the steel-to-autos Tata conglomerate plan to address some of these issues. Tata Motors, Tata Chemicals, Tata Power and Tata Croma, a chain of stores selling consumer electronics, are pooling resources and expertise to build an electric vehicle ecosystem, the executives told reporters in Mumbai.

The plans were announced ahead of the launch of Tata Motors' electric sport-utility vehicle (SUV) Nexon EV, which was attended by N Chandrasekaran, chairman of Tata Sons, the automaker's parent group

and family patriarch Ratan Tata.

"This is the launch of an ecosystem, which is the real need, not just another vehicle launch," Guenter Butschek, managing director at Tata Motors, which also owns the British luxury car brand Jaguar Land Rover, said.

Tata Power, which has set up 100 charging stations, will add

another 650 in more than 20 major Indian cities over the next year, the company's CEO Praveer Sinha said.

All stations will support fast charging and will be linked to a mobile application, which has been developed with Tata Consultancy Services (TCS), for payments and to check the availability of chargers, Sinha said.

Tata will use its chain of Croma stores to display digitally its EVs, and some stores could offer test drives and charging stations and may even sell cars.

The Nexon EV, priced starting at \$19,700, is one of four electric car models that Tata Motors plans to launch over the next 2 years. The others will also be an electric version of its existing cars and will include a hatchback, sedan and SUV.

The EV will be sold through Tata dealers and its retail Croma stores, Butschek said during the launch, adding the company will offer an 8 year warranty on the battery.

One of the biggest hurdles to building affordable EVs in India is the cost of the batteries, which are typically imported making them expensive. Tata Chemicals has built a battery recycling center and acquired land to set up a battery manufacturing plant that is expected to be ready in 3 years, CEO Ramakrishnan Mukundan said.

It plans to invest \$113 million in the plant, which will have initial capacity of 200 megawatts with potential to scale it up to 2 gigawatts, depending on domestic and global demand, he said.



REUTERS

Ratan Tata, former chairman of Tata Sons, attends the launch of Tata Motors' electric sport-utility vehicle Nexon EV, in Mumbai yesterday.

Renault poised to name VW manager De Meo as CEO

REUTERS, Paris

Renault's board is set to meet later on Tuesday to approve the nomination of Luca de Meo, the former head of Volkswagen's Seat brand, as its next chief executive, two sources familiar with the matter said.

The Italian-born executive, who stepped down from Seat earlier this month, is not due to take up his post at the French carmaker until towards July, due to negotiations around his contract, according to one of the sources. Renault declined to comment.

De Meo is not expected to face any last minute hurdles in his nomination, and has already won tacit backing from parties including the French government, a Renault shareholder.

His appointment fills one of the major gaps left at the firm as it tries to move past a year of turmoil following the 2018 arrest in Tokyo of former boss-turned-fugitive Carlos Ghosn, and reset its strained alliance with Japan's Nissan.

Ghosn, who forged and oversaw the Renault-Nissan partnership for almost two decades, has since fled Japan and resettled in Lebanon, from where he has contested the financial misconduct charges against him and said the alliance was at risk of collapse.

De Meo, along with Renault Chairman

Jean-Dominique Senard, brought in last January from tyre maker Michelin, will have his work cut out to turn around the firm. Like rivals, Renault is grappling with a downturn in demand, and has said it expects a slight decline in the car market in Europe, Russia and China this year.

The firm has also presented 2020 as a make-or-break year for the alliance with Nissan and is under pressure to deliver on cost savings and joint industrial projects.

Automakers face pressure to meet stringent new emissions targets with less polluting models, and are also competing to produce innovations such as self-driving cars, which require large investments.

De Meo, who speaks French, will be one of a growing handful of outsiders in senior company jobs in France.

The 52-year-old started his career at Renault and has worked at Fiat and Audi among other brands.

He is credited with revitalising sales at Barcelona-based Seat, imbuing it with a more sporty image, though his portfolio will be markedly larger at Renault, whose brands include Dacia and Lada.

Renault's finance chief Clotilde Delbos has been CEO on an interim basis since last October, when Thierry Bollere, a former Ghosn ally, was ousted by the board.



Luca de Meo



Grameenphone gets new CMO

STAR BUSINESS DESK
Grameenphone yesterday announced appointing Sajjad Hasib as its new chief marketing officer (CMO), effective from February 1.
Previously a senior director and head of operations, Hasib is taking over from Yasir Azman, who will be undertaking the role of CEO, the country's leading mobile operator said in a statement.
As the CMO, Hasib will lead Grameenphone's integrated marketing, which includes brand strategy, market communications, digital marketing, business intelligence and customer service excellence efforts.
He will also continue to manage five business circle sales and marketing operations to lead Grameenphone's growth and drive customer success through its innovative digital products and solutions.

Gazprom, Bapex to search for oil, gas in Bhola

STAR BUSINESS REPORT
Russian energy giant Gazprom and the Bangladesh Petroleum Exploration and Production Company (Bapex) will jointly conduct seismic surveys in Bhola in search of gas and oil.
There are two gas fields in Bhola at present covering an area of around 8,000 square kilometres.
Two deals were signed at Petrobangla's Kawran Bazar office yesterday. One was between its secretary, Ashfaq Hossain, and Gazprom CEO Vitaly Markelov on strategic cooperation.
Bapex Secretary Mohammad Ali and Gazprom Head of Gas Production Sergey Menshikov signed the other on jointly conducting 2D/3D seismic surveys.
During a visit to Russia in 2010, Prime Minister Sheikh Hasina urged her counterpart to aid Bangladesh's gas exploration and development activities.
In 2012 a turnkey agreement was signed with Gazprom as contractor to drill 10 wells to extract gas under areas of Bapex, Bangladesh Gas Fields Company and Sylhet Gas Fields.
No tender was issued as the "Quick Enhancement of Electricity and Energy Supply (Special Provisions) Act, 2010" was used.
Wells were drilled at Srikail of Cumilla and Shahbazpur of Bhola. Gas was discovered in the latter and extraction has been ongoing for the past 10 years. Three more wells were planned to be drilled there.
Bapex discovered another gas field in Bhola in 2017. The government decided to take help from Russia's Gazprom to assess reserves there.
In June 2017 an agreement was signed between the energy and mineral resources division and Russia's energy ministry to boost cooperation. In June 2018, Gazprom sent a letter to Petrobangla to jointly conduct research. Yesterday's deals were an outcome of this.
Briefing reporters, Tawfiq-e-Elahi Chowdhury, energy adviser to the prime minister, said the Bapex-Gazprom joint surveys would evaluate reserves in the existing two Bhola gas fields.
These will also fix sites for drilling wells for gas extraction and develop a strategy for further exploration and development of gas fields, he said.
He said Gazprom would carry out the geological survey and analysis while Bapex the seismic survey and collection of other relevant data.
In reply to a question, he said Gazprom has been chosen to make use of its experience and fast conduct the survey.
Among others, Md Anisur Rahman, senior secretary to the energy and mineral resources division; ABM Abdul Fattah, Petrobangla chairman, and Alexander I Ignatov, Russian ambassador to Bangladesh, addressed the ceremony.



Begum Monnujan Sufian, state minister for labour and employment; Md Shafiqur Rahman Patwari, chairman of the Insurance Development and Regulatory Authority; and MM Monirul Alam, CEO of Guardian Life Insurance, hand over a cheque of Tk 10.63 crore for insurance claim to Nazrul Islam and Shapatur Rahman, divisional managers for Khulna at Brac, at Bima Mela 2019 in the district recently. The claim was paid under a microinsurance agreement between the international development organisation and the insurer.

Private sector's appetite for credit craters

FROM PAGE B1
All economic indicators except remittance are showing a frustrating performance, said AB Mirza Azizul Islam, a former adviser to a caretaker government.
The import of capital machineries and industrial raw materials are declining for months, in an indication of a sluggishness in the private sector.
"The businesses are not even using their existing capacity to run their enterprises,"
Rising defaulted loans is another reason behind the declining private sector credit growth, Islam said.
In the first nine months of 2019, defaulted loans increased 23.82 per cent to Tk 116,288 crore.
Syed Mahbubur Rahman, managing director of Mutual Trust Bank, echoed the same.
The global economy has been facing some sort of crisis for the last few months, which has hit the domestic economy adversely, he said.
This has decreased the export of the garment sector, which also put an adverse impact on private sector credit growth, said Rahman, the immediate past chairman of Association of Bankers, Bangladesh, a forum of past chairman of Association of Bankers' managing directors.
"The heavy government borrowing from banks and the 9-6 per cent bounds will give a signal to banks to disburse loans carefully," he added.



Shahjalal Islami Bank gets new DMD

STAR BUSINESS DESK
Nasim Sekander has recently been promoted to the post of deputy managing director of Shahjalal Islami Bank.
He also served the bank as the senior executive vice president, according to a statement.
Sekander started his banking career at United Commercial Bank in 1988.
Sekander also worked at the National Credit and Commerce Bank, Prime Bank and Southeast Bank.

India's budget likely to raise spending to revive economic growth

REUTERS, New Delhi
Indian Prime Minister Narendra Modi's government is expected to raise spending on infrastructure and cut some personal tax in its 2020/2021 budget, to spur consumer demand and investment, government sources and economists said.
India is facing its worst economic slowdown in a decade. Growth slipped to 4.5 per cent in the July-September quarter, worsening the job prospects for millions of youth entering the workforce each year.
Despite cuts in corporate taxes and monetary easing by the central bank, investments have failed to pick up, adding to Modi's worries as he tries to quell public protests over a new citizenship law.
Economists and investors say fiscal stimulus in the budget for the year beginning April 1 and an increase in spending on roads, railways and rural welfare could revive growth. The budget will be delivered to parliament on Saturday.



Narendra Modi

A weak economy and the wave of anti-government protests have increased the chances of a fiscal stimulus in the budget, said Shilan Shah, an economist at Capital Economics in Singapore.
"That would provide a small boost to growth over the coming quarters, at the cost of putting upward pressure on bond yields," he said in a note.
The International Monetary Fund this month cut its forecast for India's growth to 4.8 per cent for the fiscal year ending in March and lowered its forecast for growth in the coming financial year to 5.8 per cent.
The central government looks set to miss its deficit estimates for a third straight year after estimates revenue will

fall short by nearly 3 trillion rupees.
Finance Minister Nirmala Sitharaman, who will present her second full-year annual budget to parliament, could defer the earlier target of cutting fiscal deficit to 3 per cent of gross domestic product in 2020/21 by at least two years, government sources told Reuters. This will be on top of roughly \$28 billion of expenditure outlay from off-budget borrowings, as she seeks to keep the deficit in check.
Economists in a Reuters poll predicted the government would set a fiscal deficit target of 3.6 per cent of GDP for 2020/21, up from 3.3 per cent targeted for the current year.
Sitharaman is expected to announce a plan in the budget to invest 105 trillion rupees (\$1.48 trillion) in infrastructure over the next five years.
By then it hopes to make India a \$5 trillion economy, compared with \$2.8 trillion now, government sources have said. Since taking charge in 2014, Modi has increased state spending on roads, railways, airports and ports, and has pruned state subsidies.
The budget could push privatisation and set a target of 1.5 trillion rupees, after missing the target by a wide margin this year, the sources said. The government has already announced plans to sell the loss-making national carrier Air India and oil retailer Bharat Petroleum Corp. Ltd, along with a Petrother.
To boost domestic manufacturing, the budget is also expected to increase import duties on more than 50 items, including electronics, electrical goods, chemicals and handicrafts, targeting about \$56 billion worth of imports from China and elsewhere.
Domestic investors expect some relief on income tax rates after a cut in corporate tax rates in last September.
Economists have warned the government against any "window dressing" of the budget and said it must come clean on estimates of revenue and growth and borrowing outside the budget. "We will closely monitor the revenue assumptions to assess the credibility of the fiscal deficit target," Sonal Varma, chief economist India and Asia, at Nomura said in note.

What is riding on remittance?

FROM PAGE B4
Although remittances fell short of external resource and income deficit since fiscal 2015-16, it still covered a sizable part: nearly 75 per cent of the deficits in fiscal 2018-19 after reaching a low coverage ratio of about 60 per cent in fiscal 2017-18.
Remittances have covered 84 per cent of the external resources and income deficit in the July-November period of this fiscal year.
Our financial indebtedness to the rest of the world would surely have grown a lot faster if, fluctuations notwithstanding, such a large volume of remittance money were not flowing in year after year.
It helps finance our trade imbalance without excessively incurring costly obligations to pay in future for such finance.
This role would have been even bigger had there been no diversion of remittances to finance reverse flows -- a euphemism for flight of capital through informal channels from Bangladesh.
There is some evidence suggesting that about 13-14 per cent of remittances are diverted to finance reverse flows.
Remittances contribute to augmentation of liquidity in the financial system. It's a source of both dollar liquidity in the foreign exchange market and taka liquidity in the money market as remittance dollars get converted into takas.
Daily trading volume in the foreign exchange market varies a great deal but it most likely averages around \$200 million, while average daily remittances is about \$45 million (based on fiscal 2018-19 inflows), constituting 22.5 per cent of the average daily foreign exchange trades.
Total remittance inflow in fiscal 2018-19 constituted 11.9 per cent of total deposit at the end of June last year.
Safe to say that the exchange rate would have been much harder to maintain at its current level and the interest rates would most likely have been even higher in the absence of remittances.
These macroeconomic roles of remittances are what earns it "the economy rides on" label.
What really rides is our external stability as manifested in the level of foreign exchange reserves and the exchange rate as well as financial intermediation through deposit and, consequently, credit creation.
Its role in GDP growth and income generation is much smaller, but it does contribute to keeping consumption stable in the face of fluctuating incomes.

The author is an economist

'We will eat shares of other companies'

FROM PAGE B1
Mothreja, who has a career of over 20 years in the paint industry, said Kansai Nerolac will bring technologies from Japan and become the only company in Bangladesh to manufacture the entire range of products with its own technology.
"I am particularly fond of the hardworking people of Bangladesh," he said, adding that they can also serve the eastern parts of India from their Bangladesh operations.
Thus far, from its seven depots in the country Kansai Nerolac rolled out seven new types of decorative paints.
The company also plans to unveil a full range of protective coatings, coil coatings, powder coatings, marine coatings and construction chemicals.
Kansai Nerolac, which will also complete 100 years in operations this year, will grow manifold in Bangladesh, as the economy is growing consistently, he said.

"RAK Paints was a leader in industrial coatings. Our plan is to keep going," said the Indian national, who was brought back from RAK's Dubai office to take charge in Bangladesh.
India-based Berger Paints and Asian Paints are the main competitors of Kansai Nerolac in the Bangladesh market, which generates sales of more than Tk 3,700 crore a year.
Bangladesh's paint industry has 45 formal or structured and over 20 non-structured manufacturers at present.
"We want to be the top company. We don't want to stay in the middle. If we keep on investing, we can beat others. "We won't stay silent as a paint maker."
Kansai Nerolac is very strong in industrial segment, high-performance coatings, effluent treatment plants, power plants, agriculture firms and floor coatings.
The company is at par with the industry leaders. In some cases, it is better than them, he said.
But the segment is small compared to the decorative sector. "The decorative sector is our main target now," Mothreja added.
Since acquiring RAK Paints, Kansai Nerolac Bangladesh is growing at 25 per cent a year and at present it has about 500 employees.
Kansai Nerolac has three other subsidiaries: it has 68pc stakes in KNP Japan Private Ltd in Nepal, 60pc stakes in Kansai Paints Lanka Private Ltd in Sri Lanka and 100pc stakes in Marpol Private Ltd in India.
In India's Rs 50,000-crore paint market, net sales of Kansai Nerolac rose 8.9 per cent year-on-year to Rs 5,139 crore in the 2018-19 financial year.
Net sales of the parent company Kansai Paint, also a champion in automotive coatings, were up 6.33 per cent to 427,425 million yen in fiscal 2017-18. Kansai has presence in as many as 80 countries.

Airbus agrees to settle corruption probes with US, France, UK

REUTERS, Paris
Airbus has agreed in principle to a settlement with French, British and U.S. authorities over an investigation into allegations of bribery and corruption, it said on Tuesday.
The European planemaker has been investigated by French and British authorities for suspected corruption over jet sales dating back over a decade. It has also faced U.S. investigations over suspected violations of export controls.
Airbus, which dominates with U.S. rival Boeing the commercial airliner market, said it could not comment on precise details regarding its talks with authorities, including how much it expected to pay out in the settlements. Some press reports suggested a figure of around 3 billion euros.
Nevertheless, Airbus shares rose, as analysts and traders welcomed the fact that Airbus was managing to draw a line under the affair. The stock was up 2.3 per cent in early trading.
"Airbus confirms that it has reached agreement in principle with the French Parquet National Financier (PNF), the UK Serious Fraud Office (SFO) and the US authorities," the Franco-German company said in a statement.
"These agreements are made in the context of investigations into allegations of bribery and corruption as well as compliance with the U.S. International Traffic in Arms Regulations ("ITAR "). They remain subject to approval by French and UK courts and the U.S. court and regulator," it said.

Widening job market a challenging prospect

FROM PAGE B4
A major theme in many election manifestos featured the 'My Village-My Town' strategy which aims to bring modern civic amenities to every village to ensure the rapid transformation of rural Bangladesh in terms of information, communication, technology, transport facilities, modernisation of agriculture, healthcare and education facilities, infrastructure, financial inclusion, entrepreneurship, domestic consumption, training and capacity building.
Partnerships will be developed with government and private sector entrepreneurship and between the government and NGOs, CSOs and development partners investing in human capital.
Public-private partnership will be strengthened.



Arif Quadri, additional managing director of United Commercial Bank, and Jerome Lienart, general manager of Renaissance Dhaka Gulshan Hotel, attend a deal signing ceremony in Dhaka yesterday. The bank's Platinum credit cardholders can avail buy-one-get-one free buffet offer at Bahar Restaurant of the hotel.

What is riding on remittance?

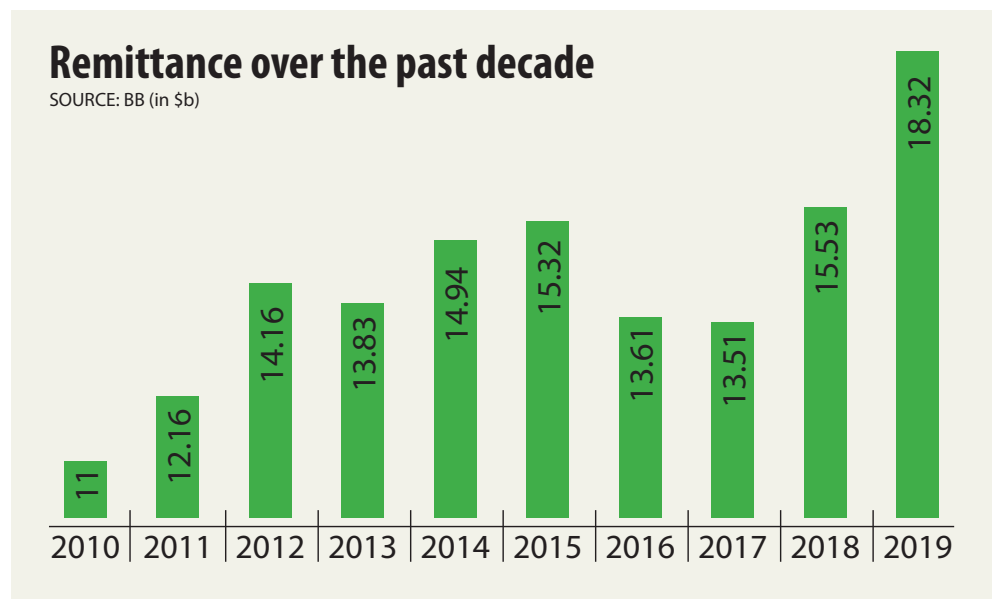
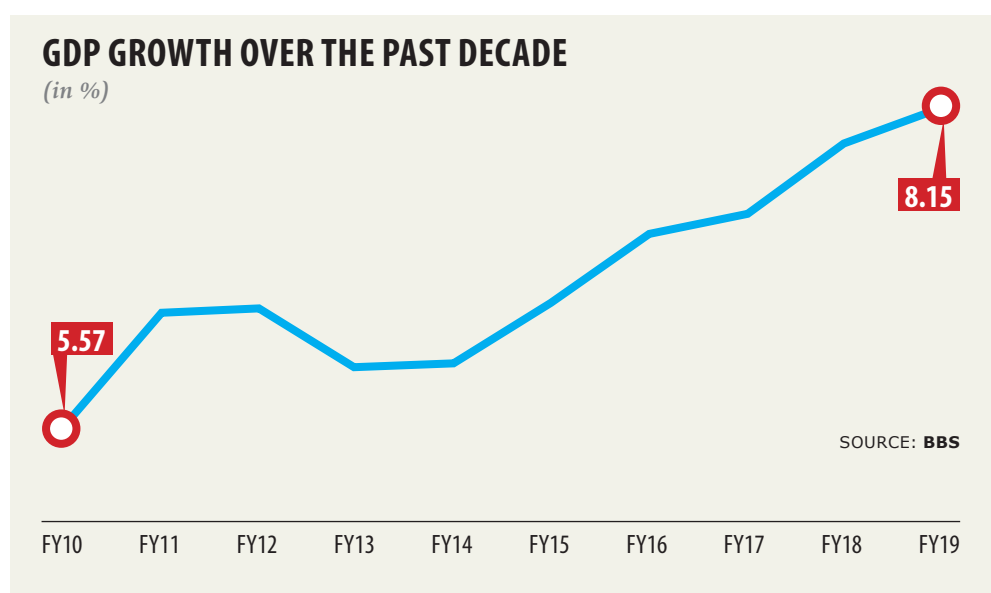


ZAHID HUSSAIN

THINKING about the role of remittance in our economy often makes us think about growth and standard of living. Driven by such thoughts, we tend to subscribe easily to statements such as “Bangladesh economy rides on remittances”. In what sense is this statement true and in what sense is it not, or just partially, true? Surely, it cannot be the standard of living. The most widely used measure of a nation’s standard of living is annual per capita income. Last fiscal year, remittances added about a \$100 to our \$1,795 (as reported by the Bangladesh Bureau of Statistics) per capita GDP. This constituted 5.5 per cent of GDP per capita, which is not trivial. But it certainly is not a ride. Arguably, remittance contributes to GDP growth itself. There is no consensus on the magnitude and direction of the impact of remittances on GDP growth. However, the weight of evidence appears to favour a positive impact of remittances on growth, according to many different studies at the national and international levels. The impact of 1 percentage point increase in the remittance share of GDP on per capita GDP growth can range between 0.12 to 0.74 percentage points. In Bangladesh, it is very unusual for

remittance-GDP ratio to rise by close to 1 per cent of GDP in any given year. In fact, the ratio has been declining since fiscal 2013-14. While the decline may be reversed this year, recent trend in the remittance-GDP ratio hardly justifies the conclusion that GDP growth rides on remittances. Had that been so, we would have seen a drastic fall in the GDP growth rate in fiscal 2016-17 when the remittance-GDP ratio declined from 8.1 per cent in fiscal 2014-15 to 5.3 per cent in fiscal 2016-17. Officially reported GDP growth however increased from 6.6 per cent in fiscal 2014-15 to 7.3 per cent in fiscal 2016-17. Remittances serve as an automatic stabiliser as well. Studies show that remittances tend to rise during downturn phases in the economic cycle. Migrants send more money home to support their financially distressed families. Remittances smooth consumption and contribute to the stability in the standard of living of the recipient families.

In contrast, other private financial flows frequently move pro-cyclically, raising income in good times and decreasing it in bad times. The hypothesis of remittances being countercyclical is based on the evidence that a large portion of remittance transfers are intended for altruistic purposes or as part of an insurance arrangement under which migrant workers send more money when the family back home are hit by an adverse income or expenditure shock. The fact that remittances rise sharply after natural disasters in Bangladesh is consistent with this view. This can partly explain why remittances are currently booming after reaching a historic high last year. Not that the capacity to remit due to changing conditions in the host countries, cash subsidy and exchange rate depreciation (however small) have not played any role, but the slowdown evident from all growth and employment related indicators may also be playing a major role in boosting remittances this year.



The growth and consumption stabilisation roles of remittances pale when compared with the role remittances play in our balance of payments and the financial system. Remittances finance a very large chunk of our external deficit. Understanding this requires a small digression into the details of the balance of payments. Merchandise trade and services balance is the difference between the dollar value of sales of our goods and services to foreigners and purchases of goods and services from foreigners during a year. This difference is called “resource balance” in the national accounts or net exports in economics textbooks. When purchase exceed sales, we have an external resource deficit. This is equivalent to having domestic saving below domestic investment. Net exports is always equivalent to the difference between savings and investment from an accounting perspective. Movements in interest rates, exchange

rates, prices and income ensure that the decisions to export and import and to save and invest made by a wide variety of economic agents match in the aggregate. In Bangladesh, the excess of purchase over sales has increased from \$10.1 billion in fiscal 2012-13 to \$19.2 billion in fiscal 2018-19. In addition, we typically have deficit in the income account, comprising of profit repatriation by foreign investors and interest payments on external public debt. This increased from about \$2.4 billion in fiscal 2012-13 to \$2.9 billion in fiscal 2018-19. Both of these deficits needed financing. Remittances from our workers abroad was more than sufficient to cover these deficits until fiscal 2015-16. This, together with surplus in the financial account resulting from official medium and long-term borrowing from the development partners and short-term foreign borrowing by the private sector, contributed to rapid accumulation of foreign reserves. READ MORE ON B3

WATER SUPPLY PROJECT

Tenure extension raises cost by 92pc

STAR BUSINESS REPORT

The government yesterday extended the tenure of a water supply project by three years increasing its cost by more than 92 per cent. The Tk 1,036-crore Bhandal Juri Water Supply Project will now cost Tk 1,995 crore, of which Tk 889 crore will come from Korea and the rest from the government. The new deadline of the project is June 2023, according to a decision taken at a meeting of the Executive Committee of the National Economic Council (Ecne) held at the NEC auditorium in Dhaka. In the meeting, the planning ministry gave reasons why the project cost and deadline needed revision. The taxes to be paid by the contractors were not included in the original project cost, but now the government will have to bear Tk 291 crore more for the purpose. In the main project plan, the exchange rate of the US dollar was shown at Tk 77.8, which increased to Tk 85 in recent times. This has also raised the project cost.

CHATTOGRAM WATER SUPPLY PROJECT

	COST INCREASE	NEW COST (in cr Tk)
Land acquisition	x5	97
Land development	x6	15
Construction of staff quarter	x2.5	25.78
Construction of water treatment plant	x1.5	360.24
Transmission and distribution line	x2.11	580.18
Water storage reserver	x4	114.92
Individual house connection and tertiary line	NEW	29.5
Import tax, VAT, customs duty	x2.4	236.85

The project added a new tertiary line to ensure supply of water among the inhabitants of Patiya, Anowara and Boalkhali. A proposed residential building for project officials as well as land acquisition also jacked up cost. Some nine projects worth Tk 4,324 crore got the go-ahead at the meeting yesterday, with around one-fourth of the funds going to the revised water supply project. The government okayed a four-

lane road from Hatirjheel to Demra highway that would cost Tk 1,209 crore. The project under the public private partnership is scheduled to end in December 2024. The road will be used as an alternative route for vehicles going to Chattogram and Sylhet via Jatrabari and Sayedabad. The Ecne also approved a Tk 793-crore dredging project for the Mongla channel to be completed in June 2022.

BASIS software expo starts Feb 6

STAR BUSINESS REPORT

The Bangladesh Association of Software and Information Services (BASIS) is going to organise a four-day exposition on the local software market at International Convention City Bashundhara from February 6. President Md Abdul Hamid will inaugurate the event – BASIS SoftExpo – where about 300 exhibitors will showcase their products in presence of top ICT companies, personalities, key policymakers, industry leaders and other stakeholders. “SoftExpo is the platform to showcase the capability of local software companies in the international arena,” said Syed Almas Kabir, president of the BASIS. The event will help local IT companies expand their businesses, he told a press conference at the BASIS office yesterday. There will be 10 individual zones, such as an Industry 4.0 Zone and an Experience Zone, highlighting the growth and development of Bangladesh’s ICT sector, said Mushfiqur Rahman, convener of the expo and a vice president of the association. The others will focus on VAT, digital education, fintech, software, mobile innovation, digital commerce and IT-enabled services, and business process outsourcing or BPO. There will also be business to

business (B2B) matchmaking sessions between local and foreign companies, including ones from Sweden, Japan and the Netherlands. A “BASIS Top Ten Digital-Ready Company” award will be presented to recognise 10 companies from other verticals for successfully organising B2B sessions with BASIS members. Alongside there will be about 30 seminars and sessions where thoughts will be shared by over 100 national and international speakers.

An ICT career camp will also be held with over 2,000 students from more than 45 universities showcasing their innovative projects. The local ICT sector is contributing to developing a “Digital Bangladesh”, said Abul Kashem Khan, chief technology officer of Dutch-Bangla Bank Limited, the event’s sponsor. BASIS Senior Vice President Farhana A Rahman, Vice President Shoeb Ahmed Masud and some other top leaders were present.



Syed Almas Kabir, president of the BASIS, speaks at a press conference at its office in Dhaka yesterday.

Widening job market a challenging prospect

REJAUUL KARIM BYRON

The government’s target to create 1.13 crore new jobs in the next five years does pose a significant challenge, despite the country’s high economic growth rate, according to a revised five-year plan from the planning ministry. The planning ministry will highlight their goal to inflate the job market in today’s session of the Bangladesh Development Forum, currently taking place at Bangabandhu International Conference Centre in Dhaka. Bangladesh’s tremendous economic growth has disproportionately failed to create job opportunities over the past decade, raising questions on the actual significance of economic growth for a chunk of the population. Besides, female participation in the labour market has shrivelled, especially in rural areas, in the last nine years, according to a government study on employment, productivity and sectoral investment. In the eighth draft of their five-year plan, the planning ministry said about 20-22 lakh new jobs will be created each year from fiscal 2020-21 to 2024-25. Over this course, the unemployment rate will hold at 3.1 per cent instead of the previous 4.2 per cent, according to the Bangladesh Bureau of Statistics’ 2016-17 survey. Bangladesh’s future prosperity will rely heavily on how effectively the youth can take leadership roles and act accordingly for the nation’s benefit. They must be well equipped

with standard education and skills and be fit physically and mentally. However, a large portion of the population is yet to enjoy proper education, training or employment. A major issue that needs addressing is how to create employment opportunities, provide training and the required skills that match market demand. Most importantly, increasing entrepreneurship would greatly impact the growth of employment. The two-day Bangladesh Development Forum will mainly discuss the five-year plan, said Monowar Ahmed, secretary of the Economic Relations Division, at a press briefing at the NEC auditorium in Dhaka on Monday. Development partners will extend their

support after the five-year plan is finalised, he added. The country’s gross domestic product (GDP) rate will hit 8.23 per cent in fiscal 2020-21 and will further increase up to 8.51 per cent in fiscal 2024-25, according to the draft. To help materialise their plans, the government will require Tk 7,741,800 crore in investments in the next five years, around 75 per cent of which will come from the private sector while the rest will be publicly funded. Although public investment has surpassed targets for the past couple of years, private investment has fallen behind, which in turn downsized the overall investments as compared to the GDP. The government’s aim

to reach double digit growth figures is largely dependent on private investment. The country has a considerable scope to improve in terms of the ease of doing business, enabling an environment for investment and enhancing business competitiveness. The targets for sustaining higher growth demands effective partnership between the government and businesses to scale up investments, technology transfer, capacity building and facilitating trade. About 40 per cent of the investment GDP ratio will require a massive drive to enhance the revenue base, which can be eventually used for public investment. In the current seventh plan period, progress

remains to be unsatisfactory despite reform measures. In general, investments in health, education and social protection relies largely upon the size of government revenue. And so, the eighth plan will aim to put emphasis on further reform measures to address the gap between the actual results and the initial target. It will play a crucial role as this will require massive changes across the various institutions engaged in revenue collection, law enforcement agencies and most importantly, the mind-set of the masses. The government aims to increase revenue collection to 16.21 per cent of the total GDP in fiscal year 2025, which is currently at 10.6 per cent higher in the current fiscal year. Tax revenue will also be increased to 14.2 per cent in fiscal year 2025, which is 9.3 per cent in the current fiscal year. Although the role of development partners play has become less significant over time, they are still considered as major players as far as socioeconomic development is concerned. Foreign aid and investment could provide support by strengthening the role of development partners for the localisation of their social development goals and realigning their country’s strategies with enhanced fund provision. This can be done by building resistance to climate changes and natural disasters and implementing the Bangladesh Delta Plan 2100. Besides, they could also continue to support duty and quota free market access for developed countries as well. READ MORE ON B3

