

India interest rates on hold as inflation soars

AFP, Mumbai

India's central bank kept interest rates on hold Thursday due to soaring inflation, even as the government's annual budget announcement last week raised little hope of an economic revival.

The Reserve Bank of India (RBI) said the benchmark repo rate -- the level at which it lends to commercial banks -- would remain unchanged at 5.15 percent, a nine-year low.

Inflation in Asia's third-largest economy surged to 7.35 percent in December, far above the four percent target set by the bank's monetary policy committee (MPC), and driven up by a rise in the price of onions and other essential items.

"The outlook for inflation is highly uncertain at this juncture. On the other hand economic activity remains subdued... Given the evolving growth inflation dynamics, MPC felt it appropriate to maintain status quo," the central bank said in a statement.

A survey of analysts by Bloomberg predicted the central bank would avoid cutting rates.

The bank added that the outbreak of coronavirus in China had also affected global growth prospects.

Analysts had hoped Finance Minister Nirmala Sitharaman's budget announcement last Saturday would help

kickstart the economy, but the absence of any major reforms dashed those expectations. The government instead elected to relax its fiscal deficit target for the current financial year to 3.8 percent of GDP from a previous 3.3 percent in order to accommodate increased spending.

The central bank raised its growth projections for financial year 2020-21 to 6.0 percent from a December estimate of 5.0 percent, in line with New Delhi's belief that a recovery remains imminent.

Prime Minister Narendra Modi's right-wing government has been trying desperately to revive the economy, which has flagged for several quarters, with per capita consumption falling for the first time in four decades.

Growth for the September-ended quarter came in at 4.5 percent, the lowest in six years, and sharply below the 7.0 percent level recorded a year earlier.

That is well below the level needed to provide the jobs sought by 1.2 million entrants to the labour market every month, posing a major headache for Modi.

RBI governor Shaktikanta Das -- a Modi ally -- cut interest rates five times in a row starting in February 2019, bringing them down by 135 basis points.

But India's banks, saddled with bad loans, have failed to pass on these benefits to consumers.

BUILD gets new chairperson

STAR BUSINESS DESK

Abul Kasem Khan, former president of the Dhaka Chamber of Commerce and Industry (DCCI), recently took over as chairperson for the trustee board of the Business Initiative Leading Development (BUILD).



Abul Kasem Khan

He succeeds Mahbubul Alam, president of the Chittagong Chamber of Commerce and Industry (CCCI). Khan was nominated by the DCCI, according to a statement.

Asif Ibrahim, a former president of BUILD, and Syed Mohammad Tanvir, a director of the CCCI, have been nominated as new trustee board members of BUILD respectively from the Metropolitan Chamber of Commerce and Industry (MCCI) and the CCCI.

BUILD is a public private dialogue platform established in 2011 as a joint initiative of the DCCI, MCCI and CCCI.

The chairperson for BUILD is nominated from the three trade bodies by rotation for a period of two years.

The other trustee board members are Shams Mahmud, president of Dhaka chamber; Nihad Kabir, president of the Metropolitan Chamber; Mahbubul Alam, president of the Chittagong Chamber; Farooq Ahmed, secretary general of Metropolitan Chamber; Md Joynal Abdin, secretary of Dhaka Chamber; and Mohd Faruque, secretary of Chittagong Chamber.

Ferdous Ara Begum, CEO of BUILD, sits on the trustee board as the member secretary.



PETRONAS LUBRICANTS INTERNATIONAL

Anshul Kumar, head of international market at Petronas Lubricants International, launches the company's new campaign—Buy Petronas Sprinta and Win Bike—in Dhaka on Wednesday. Amir H Khan, CEO of United Lube Oil, the authorised distributor of Petronas Lubricants in Bangladesh, was present.

US trade deficit falls in 2019, first drop in 6 years

AFP, Washington

The US trade gap narrowed last year for the first time since 2013 after President Donald Trump escalated trade confrontations, causing imports from China to plunge, according to data released Wednesday.

The narrowing of the US trade gap -- the stated goal of Trump's trade policy -- comes after a year when the deficit reached its highest level in a decade.

The total trade deficit shrunk by nearly \$10 billion to \$61.6 billion in 2019 as exports fell by 0.1 percent and imports dropped 0.4 percent, the Commerce Department reported.

Excluding services, the US deficit in goods fell by nearly \$20 billion to \$86.6 billion last year, as imports of Chinese products hit by Trump's punitive tariffs dropped 17.6 percent, according to the report.

That decline was offset by big increases in imports from top US trading partners Canada, which surged 42 percent, and Mexico, which jumped 26 percent.

In addition to the trade conflicts, the strong US dollar put American exports at a disadvantage, while China's slowing economy weakened the

yuan and boosted exports from that country.

And while shrinking the deficit was the goal of Trump's trade policy, it is not necessarily good news because a drop in exports often reflects a slowing economy.

In fact, growth in the world's largest economy slowed in 2019 to 2.3 percent compared to 2.9 percent in 2018, as business sharply curtailed investment due to the trade uncertainty.

"The trade war hit to business capex and especially the imposition of tariffs on an array of Chinese consumer goods on September 1 are likely to blame for the import collapse," Ian Shepherdson of Pantheon Macroeconomics said in an analysis.

He warned that, "Firms appear to have met demand by running down inventory, but that can't go on forever." - Slowing exports - Imports of materials like plastics and crude petroleum intended for the manufacturing sector, which has been in recession for months, fell by 9.3 percent.

Imports of capital goods, such as computer accessories and telecommunications equipment, also declined as American companies curbed their investments due to the uncertainty surrounding the trade war.

However, imports of everyday consumer

goods such as clothing, sports shoes and kitchen utensils continued to increase, illustrating the solid performance of household consumption which largely supported the expansion of American growth.

Americans were also more fond of cars imported from abroad. On the export side, soybean exports rebounded 8.2 percent, but that did not compensate for their collapse of more than 18 percent in 2018 due to Chinese retaliation over US tariffs.

US exports were also weighed down by the Boeing 737 MAX crisis, since the aerospace giant is a major contributor to foreign trade.

The company's top-selling aircraft was grounded worldwide in March 2019 following two deadly crashes, and exports of civilian aircraft fell 22.2 percent. In December alone, the US trade deficit jumped 11.9 percent to \$48.9 billion, which came as trade tensions with China eased.

The truce between the world's top economic powers came in mid-January with the signing of a "phase one" trade agreement, which nonetheless left most of the tariffs in place.

China has pledged to purchase an additional \$200 billion worth of US goods over the next two years.



Reserve Bank of India Governor Shaktikanta Das

Coronavirus hits Chinese push into India auto market

AFP, Noida

The deadly coronavirus outbreak has overshadowed a highly anticipated push by Chinese car firms into India's automotive market, with delegations from China told to stay away from a premiere auto expo event.

The biennial show starting Friday in Noida city in the country's north is one of Asia's largest automobile shows and was seen as an opportunity for Chinese manufacturers to woo Indian buyers in the world's fourth-largest car market.

Organisers said the scores of Chinese stalls would instead be manned by their Indian employees and representatives, including China's largest SUV manufacturer Great Wall Motors, which was making its debut at the show.

"There will be no visitors or delegation from China at the Motor Show 2020," the president of organiser the Society of Indian Automobile Manufacturers, Rajan Wadhwa, said in a statement.

Great Wall Motors executive design director Ramon Ginah told AFP the firm's Chinese staff did not travel to India for the expo as the coronavirus might provoke "negative feelings for some people".

The virus -- which has so far killed almost 500 people -- is another blow for

India's auto sector, which is still struggling to emerge from a severe slump last year amid a broader economic downturn.

There have been three confirmed cases in the southern Indian state of Kerala, all students from Wuhan, the epicentre of the outbreak and a centre for the auto industry in the world's second-largest economy.

The virus has prompted widespread business shutdowns in China and hit auto supply lines.

South Korea's largest automaker Hyundai Motor on Tuesday said it will suspend all domestic production because of a lack of parts due to the outbreak.

"Not only Hyundai, but the Indian auto industry does not need any type of disruption and we will do well to really continue the production and sales in the best possible way," Hyundai India sales and marketing director Tarun Garg told AFP.

Kia, the sister company of Hyundai Motor, said its production supply chain had also been impacted in South Korea.

"Right now in India we are gauging the impact, so it's early days... We have a longer supply chain, so we may not be impacted immediately," Kia Motors India's head of sales and marketing Manohar Bhat told AFP.

The surplus money bill has its heart in the right place

FROM PAGE B1

The agencies, which were mentioned in the bill, will have to deposit the funds to the state coffers within three months after a fiscal year ends.

If an organisation does not provide correct information about the funds, legal actions will be taken against it, the bill said.

The opposition MPs termed the bill "dangerous" and "anti-people". At present, Bangladesh's banking sector has excess liquidity of Tk 116,243 crore, according to Kamal.

"And every bank has excess liquidity," he said, adding that the funds can be utilised for development works.

Some MPs were saying revenue growth is negative, so the bill was a ploy of the government to draw in money from the state enterprises.

"Yes, the growth is negative if you compare with the target."

But the growth should be against the target -- it should be against previous year's collections.

"Because, we set a high target to keep the pressure on our tax officials to raise more revenues," he added.

The taxmen collected Tk 97,000 crore in the first half of the fiscal 2019-20, up from Tk 91,000 crore a year earlier.

"So, revenue is not on the deficit side. It is our exports that is in the deficit. I believe the negative growth will not persist in the last half of the year."

There is no country in the world that saw positive growth in exports, be it developed, non-developed or peer countries.

"This is the reality and we have to come out from the situation," Kamal said, adding that the country's macroeconomic indicators are not in a bad situation.

Meanwhile, at the annual branch managers' conference of the Bangladesh Development Bank yesterday, Kamal said the high default loan figure is due to an age-long habit of not lending properly.

"You people give out loans and then sometimes they turn bad. But I have to face the abuses in the parliament even though I don't either lend or take money. Do I deserve the abuses?"

There is no liquidity crisis. Meanwhile, in response to a question from Gonoforum MP Mukabbir Khan, the finance minister said there are some liquidity crises in the stock market but there is no liquidity crisis in the banking sector.

Scheduled banks have extra liquidity even after keeping essential cash reserve ratio and reserving the required statutory liquidity ratio, Kamal told the parliament yesterday.



THE CHRISTIAN CO-OPERATIVE CREDIT UNION

Cardinal Patrick D' Rozario, archbishop of Dhaka, poses with the new office bearers of The Christian Co-operative Credit Union Ltd (Dhaka Credit) at Tejgaon Church Community Centre in Dhaka on Wednesday. The new board will run the entity for the next three years.

'If we find skilled locals, why will companies hire foreigners?'

FROM PAGE B1

"The foreigners must be made to take their salaries through the proper channel and after paying tax," Munshi said, while urging the National Board of Revenue to come forward to bring all the foreign workers under the tax net.

This will hike their employers' outlay for them, so they would gradually become less of a cost-smart option, he said. To evade taxes, salaries of legal foreign workers are shown less in the official documents than their actual income.

For instance, the actual salary of a chief executive officer in the garment sector ranges from \$10,000 to \$12,000 per month. But in official documents it is shown to be between \$3,000 and \$3,600.

Furthermore, about one-third the salary of foreign nationals legally working here is paid into the bank accounts; the rest is given in cash, the TIB study found.

The foreign nationals working illegally take their salaries in cash or to their bank accounts abroad, depriving the government of taxes to the tune of \$1.35 billion, or Tk 12,000 crore, every year, found the Bangladesh chapter of the Berlin-based global graft watchdog Transparency International.

"What needs doing urgently is getting the foreigners to pay taxes," the minister added.

Kia in talks over moving \$1.1b plant to Andhra Pradesh

REUTERS, New Delhi

South Korea's Kia Motors is discussing with the Indian state of Tamil Nadu the possibility of moving a \$1.1 billion plant out of neighbouring Andhra Pradesh only months after it fully opened, due to policy changes last year, sources close to the talks told Reuters.

Kia inaugurated the Andhra plant, its first in the world's fifth-largest car market, in December after two years of construction. It has an annual capacity of some 300,000 units and created 12,000 direct and indirect jobs.

However, Kia is now in talks with the nearby state of Tamil Nadu, home to many major autoparts suppliers, about potentially relocating the plant, a senior state government official and a second source familiar with the discussions said.

"(Kia) are facing problems (in Andhra Pradesh), they have been in preliminary negotiations with us ... There is a secretary-level meeting next week, we might have more clarity then," the official told Reuters on Wednesday.

Kia said in a statement it has a long-term commitment to the Indian market and it aims

to utilize the full capacity of its Andhra plant "before considering further expansion".

"We do not have any plans to shift the manufacturing facility from the current location," it said, without commenting on any policy concerns or talks with Tamil Nadu, which are at an early stage. The Andhra Pradesh government said on Thursday in response to the Reuters story that it was continuing its "strong partnership" with Kia. Itsaid in a statement that Andhra Pradesh enjoys a cordial relationship with Tamil Nadu, adding that the government had received assurances from a senior official in the neighbouring state that it was not in talks with Kia.

The Tamil Nadu chief minister's office did not respond to a request for comment.

Kia is being represented in the talks by executives at its sister company Hyundai Motor Co, which is India's second-largest automaker and has all its car production facilities in Tamil Nadu, the state official added.

Hyundai did not respond to a request for comment.

Kia has been troubled by a new Andhra state law on local hiring and by the new state

government wanting to review the incentives given out by the previous administration to encourage the company to set up the plant, the second source and a third person with knowledge of the discussions said.

Moving the plant to Tamil Nadu could also help Kia in reducing logistics costs as it would bring it closer to some of its parts suppliers, the second source added.

It was not immediately clear how swiftly Kia could move production lines from a plant in one state to another, or what sort of disruption that would entail. The sources declined to be named as the talks are private.

Kia started building the new plant in 2017 and formally inaugurated it in December, when it said the 23 million square foot facility would manufacture vehicles like its Seltos SUV for both the Indian and overseas markets.

It said the facility would "become a vital part" of its global production network in the long term. But considering relocation within months of the inauguration highlights the challenges foreign investors face while dealing with policy changes at federal or state level in India.

Slowing exports stretching trade deficit

FROM PAGE B1

An inflationary pressure usually hits the economy when the current account remains negative for too long.

In such situations, the central bank is forced to print money to tackle economic sluggishness.

"So, the authority concerned should concentrate on sidestepping the ongoing bitter situation stemming from the external sector," Ahmed said.