STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES	STANDARD CHARTERED BANK			
DSEX	CSCX	Gold ▲	Oil ▲	MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	CNY
▼ 1.26%	▼ 1.30%	$1,645.30	$52.78	▼ 0.55%	▲ 0.08%	▲ 0.18%	▲ 0.63%	BUY TK	83.95	92.84	106.86	11.97
4,409.62	8,175.12	(per ounce)	(per barrel)	38,409.48	21,100.06	3,025.03	3,011.67	SELL TK	84.95	96.64	110.66	12.58

Star BUSINESS

DHAKA THURSDAY MARCH 5, 2020, *FALGUN 21, 1426 BS* starbusiness@thedailystar.net

Banks' deposit growth contracts in anticipation of interest rate cap

AKM Zamir Uddin

Deposit growth in banks saw a steep decline in January, in a development that can be viewed as the direct impact of the capping of interest rate on savings to 6 per cent.

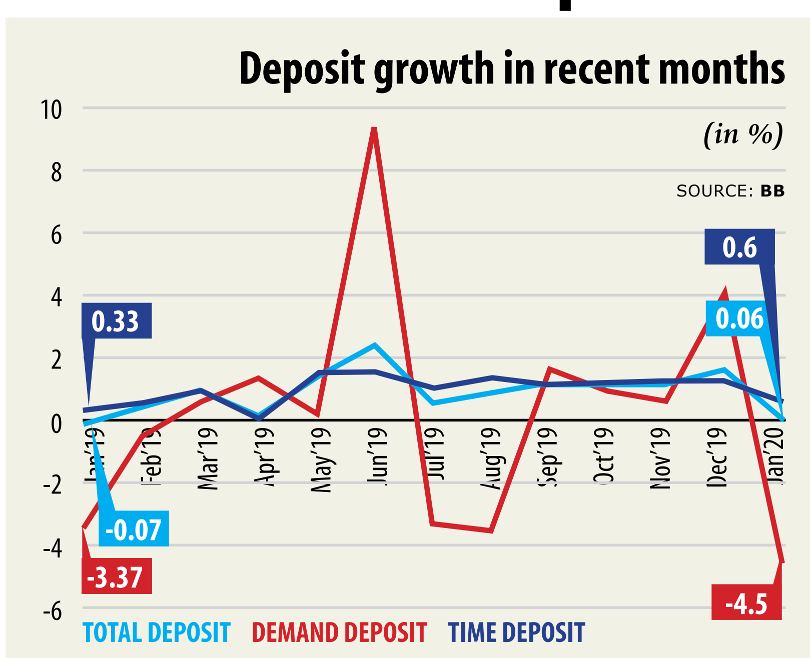
Earlier on December 30 last year, the government announced capping of interest rates on deposits at 6 per cent and on loans at 9 per cent.

Many banks started to implement the 6 per cent interest rate on their fixed deposit schemes from the third week of January as part of their preparation to provide loans at 9 per cent interest from April 1.

The Association of Bankers, Bangladesh (ABB), a forum of managing directors of banks, though took the decision to provide not more than 6 per cent for FDRs from February 1.

In January, banks' deposits stood at Tk 1,138,632 crore, up 0.06 per cent from the previous month, according to data from the central bank. January's deposit growth is the lowest since February last year.

However, in January last year the deposit growth was 0.07 per cent in the negative. Between February and December last year, deposit growth hovered between 0.46 per cent and 2.38 per cent.



The Daily Star spoke with least 10 officials of both the central bank and banks to unearth the reasons behind the downward trend of the deposit growth.

Banks will have to wait another two-three months to gauge the impact of the 6 per cent interest cap on deposits, said a portion of the bankers with a direct link to mobilising funds and analysing the deposit trend as well.

"We should spend more time to understand the impact of the 6 per cent interest cap on deposits," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

Lenders usually try to show a strong balance sheet in December given the year end, so they take it easy in the new year.

"Banks expedite their drive for mobilisation of fund during the period, which widens their deposit volume," said Rahman, also a former chairman of the Association of Bankers, Bangladesh, a forum of managing directors of banks.

But Dhaka Bank Managing Director Emranul Huq said that the 6 per cent cap had an adverse impact on his bank's deposit volume.

Between January and February this year, customers withdrew about Tk 600 crore from the bank because of the lower interest rate.

READ MORE ON B3

ISPs await fresh guidelines

Licence fees to rise; users can set parental controls

Muhammad Zahidul Islam

The government will soon revise guidelines for internet service providers and bring down licensing categories in a bid to streamline broadband internet business in the country.

Licence fees and annual charges will be hiked, while users will be able to set parental controls to reduce the risk of children encountering inappropriate contents online.

Currently ISP licences are awarded in six categories, but under the new guidelines, there will be four types of licences.

Both the government and the ISP operators have agreed to increase the licence fees and charges, Telecom Minister Mustafa Jabbar said.

"We were observing that there was a lack of regulations in broadband internet business and that's why we have taken this initiative to frame new guidelines which will be passed within a short time," Jabbar said.

The parental control features will help contain crimes and enable children to use the internet in the most productive ways, he added.

The licensing jurisdiction was not specific in the previous guidelines but it will be specifically mentioned this time, Jabbar said.

"I have already told the telecom regulator that the ISP licences will be awarded and renewed under the new guidelines from now," he added.

The six categories of licences being provided now are: nationwide, central zone, zonal, category A, category B and category C. The licences will be nationwide, divisional, district and local as per the new guidelines.

The ISPs with the nationwide licences now pay Tk 1 lakh per year which will be raised to Tk 2.50 lakh once the proposed guidelines come into effect.

The central zone and zonal licence fees were Tk 50,000 which will rise to Tk 1.50 lakh under the divisional category.

ISPs are now paying Tk 5,000 in annual fees for category A licences for providing internet connections in metropolitan areas. The fee will be Tk 1 lakh in the district level, according to the new guidelines.

The categories B and C that offer connectivity in rural areas will be renamed as local ISPs and their fees will go up to Tk 25,000 from Tk 2,500.

The Internet Service Providers Association of Bangladesh (ISPAB) said they were on the same page with the government over the new guidelines but called for steps to rein in the number of licences as the sector is oversaturated.

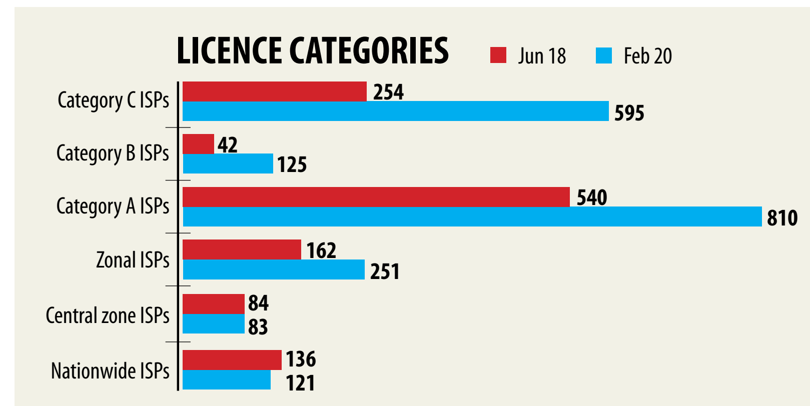
As of January this year, there were 57.43 lakh active fixed internet connections in the country, up from 57.30 lakh at the end of January last year, according to Bangladesh Telecommunication Regulatory Commission.

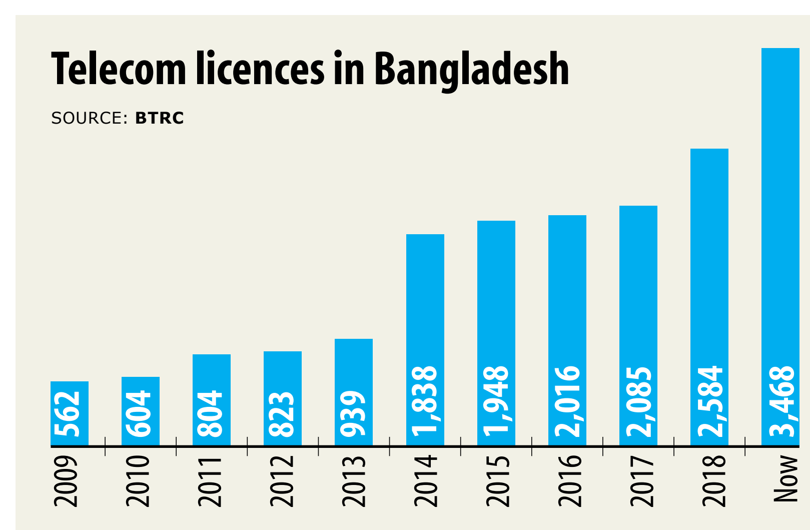
The number of licences is rising every month but the number of customers remains almost the same which is why there is an unhealthy competition among the ISPs to rope in customers, said Imdadul Haque, general secretary of the ISPAB.

"We are okay with the upcoming guidelines but the government also needs to stop issuing too many licences," Haque said.

As of February, the number of total ISP licences was 1,985, a jump from 1,218 in June 2018.

READ MORE ON B3





Capital flight through trade mis-invoicing staggeringly high

Data reporting to UN Comtrade for Bangladesh has dropped

Star Business Report

Bangladesh lost a staggering $7.53 billion on an average between 2008 and 2017 to trade mis-invoicing during its foreign commerce with its 135 trading partners, said the Global Financial Integrity Report (GFI).

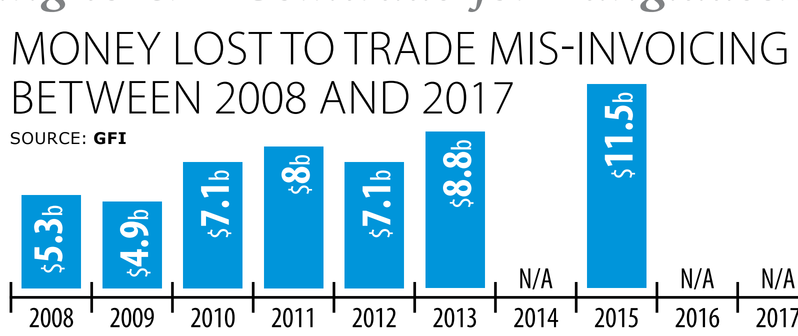
The loss accounted for 17.95 per cent of Bangladesh's international trade with all trading partners during the period, according to the GFI's its annual update, "Trade-Related Illicit Financial Flows in 135 Developing Countries: 2008-2017", which was released on Tuesday.

The country lost $11.51 billion in 2015, the latest year for which data was available for Bangladesh. The report stated no such data for Bangladesh for 2014, 2016 and 2017.

When pointed out the absence of the data, Maureen Heyd, communications coordinator of the GFI, in an email to The Daily Star, said: "Yes, there was a lack of reported trade data for Bangladesh in recent years. This is unfortunate, as it limits our ability to investigate illicit activity in Bangladeshi trade."

"We don't know why reporting to the UN Comtrade for Bangladesh has dropped off in recent years."

Heyd, however, said the report represents new findings for Bangladesh, in that this report has been made with the most up to date available data, and therefore, it is the most current of the GFI's work examining Bangladesh.



This report also examines Bangladesh's trade mis-invoicing with all its global trading partners -- whereas the previous GFI reports examined only Bangladesh's trade with the 36 advanced economies.

Bangladesh's loss to trade mis-invoicing with the 36 advanced economies averaged $3.29 billion during the decade, which is 14.62 per cent of the country's global trade.

When asked about the report yesterday, Finance Minister Mustafa Kamal told reporters yesterday: "I know nothing about the report. They [GFI] didn't inform us anything."

The GFI published the update examining trade-related illicit financial flows across 135 developing countries and 36 advanced economies by trading partners, commodities, regions and per cent of total trade among other indicators.

By analysing individual country government trade statistics supplied to the United Nations Comtrade database, the GFI identifies "value gaps," or mismatches, in the reported data.

The report finds gap of $8.7 trillion in reported trade between developing and advanced economies over 10 years.

It states trade mis-invoicing is a significant obstacle to sustainable development.

In 2017, the most recent year for which data are available, the total value gap in trade between advanced economies and developing countries was $817.6 billion.

The act of trade mis-invoicing is a major type of illicit financial flow and can be used to evade customs duties, VAT taxes, and currency controls among other illicit activities. It also deprives developing country governments of desperately needed tax revenues.

Developing countries are losing a significant percentage of the value of their trade transactions, said Tom Cardamone, president and chief executive officer of the GFI, in a statement.

"Indeed, in 2017, the value gap associated with trade mis-invoicing amounted to 18 per cent of developing country trade. If the integrity of trade transactions cannot be assured, it is unlikely countries will be able to achieve the UN Sustainable Development Goals by the 2030 deadline."

READ MORE ON B3

NOVOAIR

Mofizur Rahman, managing director of Novoair, and Syed Mahbubur Rahman, managing director of Mutual Trust Bank (MTB), attend a deal signing ceremony at the bank's corporate head office in Dhaka recently to launch a co-branded 'MTB NOVOAIR UnionPay Platinum Credit Card' for the members of the airline's frequent flyers programme SMILES. The cardholders will get discounted fares for tickets for all of the airline's domestic and international routes and free access to the bank's air lounges.

GM to tout its electric vehicles to investors swooning over Tesla

REUTERS, *Detroit*

General Motors Co executives on Wednesday will tackle one of their toughest tasks: Persuading investors that a Detroit automaker can catch up with Elon Musk and Tesla Inc as vehicles go electric.

Even as global markets reel from coronavirus fears, Tesla's valuation is outpacing that of GM and most other legacy automakers. On Tuesday, Tesla's market cap hovered around $144 billion, more than three times GM's $45 billion.

GM is by far the larger manufacturer by volume, and generates more cash and profits. But in the electric vehicle market, Tesla is the leader. Last year, Tesla sold 367,500 electric vehicles globally, including 223,000 in the United States. GM sold just 16,400 Chevrolet Bolt EVs to US buyers, and 60,000 Baojun E-Series models in China with joint venture partner SAIC Motor.

GM Chief Executive Officer Mary Barra and President Mark Reuss have ramped up electric vehicle development over the past three years, focusing on a proprietary battery, a low-cost flexible vehicle design and a blueprint for high-volume production, mainly in China.

The company has revealed its electric vehicle strategy in incremental steps - announcing the Hummer brand will be reborn as an electric pickup and partnering with Korean battery maker LG Chem to build a $2.3 billion battery plant near a shuttered GM car plant in Lordstown, Ohio. GM is now trying to put the broader picture into focus for investors.

GM has said it aims to reduce the cost of battery cells - the single greatest expense in electric vehicles - to less than $100 per kilowatt-hour.

"Sharia fintech": Startups race to tap Indonesia growth by aligning with Islam

REUTERS, *Jakarta*

Like millions of other Indonesians, Gandi Iswara had for years carried a wad of currency notes for dropping into donation boxes after prayers at mosques in suburban Jakarta.

From late last year, though, the 35-year-old engineer switched to a more convenient option: whipping out his mobile phone, firing up a digital payment app from Google-backed GoPay and tapping the QR code stickers that are now affixed to the boxes.

His digital conversion took some time, as Iswara initially held the view that all rewards and discounts offered by e-wallets conflicted with Islam.

"At first, I thought e-wallets resulted in usury, which is forbidden by Islam. But after a while I found them convenient in daily life," he said.

Winning over conservative Muslims like Iswara in the world's most populous Muslim-majority country is both a challenge and multi-billion dollar opportunity for fintech firms that are riding its mobile internet boom and aim to sell financial services.

Of Indonesia's 270 million population, half lacks bank accounts but most now have mobile phones.

Questions about compliance with Islamic law are a significant hurdle for the adoption of digital payments and other fintech services, industry executives say.

Known as Sharia, the law strictly prohibits charging interest, or "riba", and clerics in Indonesia disagree on whether the popular cashback rebates and discounts given by digital wallets qualify. Social media videos in Indonesia on whether e-wallets are "haram" - prohibited by Islam - or incorporate "riba" rack up hundreds of thousands of views.

Indonesia's top Muslim clerical body has even issued an edict deeming virtual money acceptable, as long it met specific conditions.

To showcase the compliance of their services with Islam, fintech firms are organising forums with Islamic scholars and sponsoring religious festivals. Newer startups are tailoring services for Indonesia's growing body of "born-again" Muslims, known as the "hijrah" movement at home.

GoPay, which is part of ride-hailing firm Gojek, has partnered with the Indonesian Mosque Council since November to enable digital donations, including "zakat", or compulsory alms giving, in its 800,000 mosques, CEO Aldi Haryopratomo said. "Zakat" alone amounts to over $500 million annually in Indonesia.

"It has made it much easier for people to pay alms," said Budi, chief administrator of Jakarta's Istiqlal mosque, the largest in Southeast Asia, referring to digital payments services.

Rival LinkAja, which was formed by a consortium of Indonesia's top state-owned firms, has launched similar donation efforts. It is now readying LinkAja Sharia, which will offer a range of financial services specifically targeted at conservative Muslims and only accept money from Islamic banks.

Backed by companies including telco Telkomsel and Bank Mandiri, LinkAja is currently seeking to raise $200 million in outside financing, sources told Reuters. The company declined to comment on its funding.

The scale of 'sharia-fintech' in Indonesia is small, so far, with Islamic fintech startups disbursing about 1 trillion rupiah ($73.15 million) in sharia-compliant loans in 2019, a four-fold increase from 2018, according to the Indonesia Sharia Fintech Association.

But with all forms of Islamic banking accounting for only 6% of Indonesia's $580 billion in banking assets, there is room for growth.

The sector is also getting a policy push. The country's vice vice-president, cleric Ma'ruf Amin, took over Indonesia's National Islamic Finance Committee in January and has cited the growth of Islamic fintech as a key national priority.

Some of the startups say they are finding their appeal extends beyond Muslims.

One of them is peer-to-peer lender ALAMI, created by three ex-bankers, which has disbursed over $7.5 million in sharia-compliant financing to small and medium enterprises since May, and plans to become a digital bank.

CEO Dima Djani said that although conservative Muslims are its main target, others also are choosing it as an ethical banking option.

"They see the fact we are focused on sharia principles as a sign of integrity," he told Reuters.

Muhamad Fajrin Rasyid, president of Bukalapak, one of Indonesia's top e-commerce companies which offers a sharia-compliant investing service, concurs.

REUTERS/FILE

A volunteer collects alms boxes with QR codes and stacks them on a cart after Friday prayers at Istiqlal mosque in Jakarta.

Fossil fuels for power at turning point as renewables surged in 2019

REUTERS, *Tokyo*

The use of fossil fuels such as coal and oil for generating electricity fell in 2019 in the United States, the European Union and India, at the same time overall power output rose, a turning point for the global energy mix.

Those countries and regions are three of the top four largest producers of power from fossil fuels. The declines suggest the end of the fossil fuel era could be on the horizon, said Tomas Kaberger, an energy professor at Chalmers University of Technology in Sweden, who provided the power generation data to Reuters.

Kaberger, who is also the chair of the executive board for Japan's Renewable Energy Institute and a member of the board at Swedish utility Vattenfall AB, provided data covering more than 70 per cent of the world's power generation that showed for most of 2019 the amount of power sourced from fossil fuels dropped by 156 terawatt hours (TWh) from the year before. That is equal to the entire power output of Argentina in 2018.

The data also indicates that renewable power generation increased at a faster rate than the overall growth in power output for the first time, rising by 297 TWh versus 233 TWh for overall output, Kaberger said.

"It is economics driving this as low-cost renewable electricity outcompetes against fossil and nuclear power plants," said Kaberger. With electric vehicle usage surging and their batteries being increasingly recharged by renewable electricity supplies the decline of fossil fuels is likely to accelerate, he said.

"New renewables are even cheaper than oil per unit of energy electricity generated and even fuels produced from electricity will outcompete against fossil fuels at increasing speed in transport, heating and industry," he said.

"Peak oil demand is close," Kaberger said.

Kaberger relied on data from official sources such as the International Energy Agency and the US. Energy Information Administration that covered China, India, the EU, the U.S., Japan and the rest of the Organization for Economic Co-operation and Development (OECD), or around 75 per cent of global electricity output.

OPPO

Damon Yang, managing director of OPPO Bangladesh, attends the launch of OPPO's latest handset F15 at International Convention City Bashundhara in Dhaka yesterday. Priced at Tk 26,990 and available in lightning black and unicorn white colours, the device is equipped with 8GB RAM, 128GB ROM and Helio P70 chipset.

WALTON

Walton's officials attend a 'Declaration Programme' at Walton Corporate Office in the capital yesterday, offering one-year replacement facility for Walton-branded air conditioners.

Bond yields near record lows after Fed rate cut

REUTERS, *London/Hong Kong*

Bonds held their gains on Wednesday as investors digested the U.S. Federal Reserve's dramatic move to cut interest rates in an effort to contain economic damage from the coronavirus.

The surprise 50-basis-point cut, the Fed's first off-schedule move since 2008, came with comments highlighting both the scale of the challenge and the limits of monetary policy.

In response, the benchmark 10-year US Treasuries yield US10YT=RR, which falls when prices rise, held below 1 per cent - not far over the overnight low of 0.9060 per cent.

Euro zone bond yields also held near record lows, with Germany's benchmark 10-year Bund yield around -0.64 per cent, near six-month lows set on Monday.

Some saw the Fed's extraordinary move as a decision to move hard and early because it expected further economic damage from the spread of the coronavirus.

"They have signalled willingness to take further action, which is why we are seeing a further rally in bonds," said Tim Drayson, head of economics at Legal & General Investment management. "Some argue that monetary policy can't fight the supply shock - but it will support demand and confidence."

With safe-haven currencies in demand, the dollar was near five-month lows versus the yen JPY=EBS and fell to its lowest against the Swiss franc CHF=EBS in almost two years. It was flat against a basket of six major currencies =USD.

Global stock markets were mixed as investors digested the Fed's move and a strong performance by Joe Biden in the Democratic Party primaries in the United States. The Euro gained 0.7 per cent. Markets in Frankfurt and London rose around 0.8 per cent and Paris 0.7 per cent. On Wall Street, S&P 500 futures ESc1 climbed 1.5 per cent on Biden's showing, after falling overnight despite the Fed's rate cut.

Biden, a moderate considered less likely to raise taxes and impose new financial regulations, won primaries in at least eight states. That set up a one-on-one battle for the Democratic presidential nomination with democratic socialist Bernie Sanders.

US Federal Reserve Chairman Jerome Powell

The European moves built on gains for Asia-Pacific markets, where MSCI's broadest index of shares outside Japan rose 0.3 per cent.

Korean stocks gained 2 per cent on a $9.8 billion government stimulus package to mitigate the coronavirus impact.

The MSCI world equity, which tracks shares in 49 countries, gained 0.2 per cent.

The Fed's surprise move followed a shift in money market pricing late last week. (0#FF:) Futures swung rapidly to anticipate such a cut at the Fed's March meeting.

Now, they imply another 50 basis points of easing by July, even though investors and the Fed itself raised doubts that easing will help deal with a public health crisis.

"If you're in China and you can direct liquidity exactly where you need to, and have rate cuts where you want them to be, monetary policy is very effective," said Sebastien Galy, senior macro strategist at Nordea Asset Management.

"In the West, in a democracy, monetary policy is less effective - you need to incentivise banks to do what is in to the benefit of the whole."

The coronavirus has killed more than 3,000 people, about 3.4 per cent of those infected - far above seasonal flu's fatality rate of under 1 per cent. It continues to spread beyond China — Italy reported a jump in deaths to 79 and South Korea reported more than 500 new cases on Wednesday.

Resiliency test: How well can Chinese firms cope financially from a virus hit?

REUTERS

As companies in China gradually restart business following the extended Lunar New Year break, investors are fretting over the financial impact of the coronavirus outbreak that has squeezed cash flow and hammered revenues in many sectors.

The flu-like epidemic has killed nearly 3,000 people and infected more than 80,000 across the country.

Reuters analyzed balance sheets of nearly 4,000 listed Chinese companies to see how well they are financially prepared to cope with the impact.

A look at days of cash on hand, which estimates how long a business can run daily operations without additional revenue, showed that the airline industry is most vulnerable with just 48 days of cash on hand as of end-September, down from 72 days a year earlier.

Carriers faced immense pressure in the first quarter as the outbreak escalated, as many airlines were forced to cancel thousands of flights and put some staff on leave due to broadening domestic and global travel restrictions.

Debt to equity ratio also increased, with airlines again showing the highest leverage of 1.78 times versus 1.27 times a year earlier, followed by construction and engineering sector which had 1.70.

The average debt to equity ratio of all surveyed companies worsened to 0.95 from 0.87. The food and staples sector showed the healthiest multiple of 0.52 times, although it also deteriorated from 0.28.

"We believe that in general the small businesses will continue to struggle, while the larger enterprises and SOE should hold up relatively better," said Caroline Yu Maurer, head of Greater China Equities at BNP Paribas Asset Management.

"The downstream players in various industries may suffer a bit more, given the supply chain disruption as well as the lack of labor force in the short term given the constraint on labor flow."

Total cash held by the surveyed companies increased by 8.5 per cent, but the mobile communications sector saw the sharpest decline of 25 per cent, followed by air freight and logistics industry, which showed a 17.6 per cent drop.

In a move to save cash, some companies including online car dealers Uxin Ltd and Chehaoduo, which is backed by SoftBank's Vision Fund, are cutting staff salaries.

Wall Street jumps after Biden's Super Tuesday surge

REUTERS

Healthcare stocks boosted Wall Street on Wednesday after a near sweep for Joe Biden in the Super Tuesday Democratic primaries, a day after markets suffered heavy losses following an emergency interest rate cut by the Federal Reserve.

The benchmark S&P 500 rose for the second time in 10 sessions, bolstered by Biden's return to front-runner status in the US Democratic presidential nomination campaign over self-declared socialist Bernie Sanders.

REUTERS

A trader works on the floor at the New York Stock Exchange on March 3.

"The markets will see Biden's success as helping to eliminate what they see as the worst option, a Sanders presidency," said Chris Nixon Cox, Chief Global Strategist at BrightSphere Investment Group.

Shares of health insurers UnitedHealth Group Inc, Centene Corp, Humana Inc and Cigna Corp surged between 9.8 per cent and 13.4 per cent. The broader healthcare index jumped 3.2 per cent, the most among all the major S&P sectors trading higher.

The healthcare sector had suffered in recent months as Sanders and his "Medicare for All" proposal, which would eliminate private health insurance altogether, gained prominence.

The three indexes dropped nearly 3 per cent on Tuesday as an emergency interest rate cut by the Federal Reserve amplified fears about the extent of the economic damage from the coronavirus outbreak.

Fears of a global slide into recession, and a resulting collapse in U.S. corporate earnings this year, have knocked $3.1 trillion off the value of major US companies in the past 10 days.

At 9:54 a.m. ET, the Dow Jones Industrial Average was up 445.37 points, or 1.72 per cent, at 26,362.78, the S&P 500 was up 37.97 points, or 1.26 per cent, at 3,041.34. The Nasdaq Composite was up 88.84 points, or 1.02 per cent, at 8,772.93.

Adding to the upbeat mood, the ADP National Employment Report showed U.S. private payrolls rose more than expected in February. The data is considered a precursor to the more comprehensive jobs report on Friday.

All eyes will also be on the Fed's beige book report, which will offer the first snapshot from the central bank's business contacts on how deeply the coronavirus is impacting the domestic economy.

US food company Campbell Soup Co rose 5.9 per cent after lifting its 2020 profit forecast, and topping analyst estimates for the quarter on improved demand for its soups.

Upscale retailer Nordstrom slid 4.5 per cent after forecasting a 2020 profit largely below market expectations.

Advancing issues outnumbered decliners by a 4.39-to-1 ratio on the NYSE and a 2.88-to-1 ratio on the Nasdaq.

The S&P 500 recorded two new 52-week highs and 13 new lows, while the Nasdaq recorded 14 new highs and 35 new lows.

BANK ASIA

A Rouf Chowdhury, chairman of Bank Asia, poses at an event after awarding certificates among the bank's 46 officers who successfully completed its '53rd Foundation Training Course' at the Bank Asia Institute for Training and Development in Dhaka yesterday. Md Abdul Matin, training and development consultant of the institute; SM Anisuzzaman, company secretary of the bank; M Esamul Arephin, head of people management division; Krisna Saha, head of Lalmatia branch, and Sujit Kumer Sen, the institute's assistant vice president, were present.

German retail sales up in January, coronavirus clouds outlook

REUTERS, *Berlin*

German retail sales recovered in January after plunging in December, data showed on Wednesday, suggesting that consumers helped prop up growth in Europe's largest economy before the outbreak of the coronavirus.

ddRetail sales rose 0.9 per cent on the month in real terms after an upwardly revised drop of 2.0 per cent in December, data from the Federal Statistics Office showed. A Reuters poll of analysts has forecast a 1.0 per cent increase.

On the year, retail sales rose by 1.8 per cent in real terms after an upwardly revised rise of 1.7 per cent in December, the data showed.

The figures suggest that household spending had been holding up in Germany at the start of the year. But that was before the coronavirus outbreak.

Germany has now reported 240 cases of the virus, which emerged in China late last year and is spreading around the world. It has killed nearly 3,200 people, though Germany has not reported a fatal case yet.

The epidemic is expected to weaken domestic demand in the weeks ahead, which could throw the German economy into a recession. Gross domestic product had already stagnated in the fourth quarter of last year as exports fell.

A survey in February showed that German consumer morale deteriorated heading into March as fears that the coronavirus outbreak could worsen an economic slowdown made Germans less willing to spend.

German new passenger car registrations declined by 11 per cent year-on-year in February to just under 240,000 vehicles, a source familiar with the figures told Reuters on Wednesday.

It was not immediately clear if the decline was related to the coronavirus outbreak. German car authority KBA is due to publish official figures later on Wednesday.

A survey among purchasing managers showed on Wednesday that growth in services slowed in February to its lowest point in three months as the coronavirus curtailed new business with China and other foreign clients.

The data showed an immediate effect from the coronavirus outbreak on foreign demand, said Phil Smith, principal economist at IHS Markit, which compiled the purchasing managers' index.

Germany's domestic market still looked to be holding firm. But given the spread of (the disease) to many other parts of the world, including Germany, and the subsequent financial market reaction, it would seem that this domestic resilience is about to be broken," Smith said.

China is Germany's biggest trading partner. Manufacturers depend on both Chinese demand and supply chains.

Domestic businesses hit by the outbreak include hotels and transportation companies, after several international fairs were cancelled, including Germany's ITB Tourism Fair, which was due to take place in Berlin this week.

Berlin is helping small- and medium-sized firms to bridge sudden liquidity problems and avoid lay-offs through labour market instruments such as Kurzarbeit programmes.

Finance Minister Olaf Scholz and Economy Minister Peter Altmaier have said the government is ready to do everything it takes to shield the economy from the impact of the coronavirus. Senior members of the government are expected to discuss additional measures at a meeting on Sunday.

SUMMIT POWER

Lt Gen (retd) Abdul Wadud, managing director of Summit Power; Md Mozammel Hossain, managing director of Summit Gazipur II Power; Shahedul Islam, a director at Navana Group; and Kazi Amirul Hoque Shiblee, country director at Navana Petroleum, sign an agreement at Summit Centre in Dhaka yesterday. Navana Petroleum, an authorised distributor of Chevron Lubricants in Bangladesh, will supply lubricants to five power plants of Summit.

India services growth at over 7-year high on strong export demand

REUTERS, *Bengaluru*

Growth in India's dominant service sector accelerated at a pace not seen in over seven years last month, boosted by a recovery in foreign demand and solid business confidence, a private survey showed on Wednesday.

The Nikkei/IHS Markit Services Purchasing Managers' Index climbed to 57.5 in February from January's 55.5. It was the highest reading since January 2013 and comfortably above the 50-mark separating growth from contraction for a fourth month.

"Behind the resilience in the trend for business activity stands healthy demand for services from both the domestic and international markets," Pollyanna De Lima, principal economist at IHS Markit, said in a release.

"Positive gains in new work across the manufacturing and service sectors suggest that private sector output will likely increase markedly again in March, boding well for final quarter GDP following expectations of a flat growth rate in Q3 FY 2019/20."

The pace of expansion in a sub-index tracking new business slowed slightly from January's seven-year high, but remained above the long-term average since the index was first published in December 2005.

New export business - a proxy of foreign demand - returned to expansion territory last month after contracting for the first time in 11 months in January. However, firms failed to significantly increase the pace of hiring.

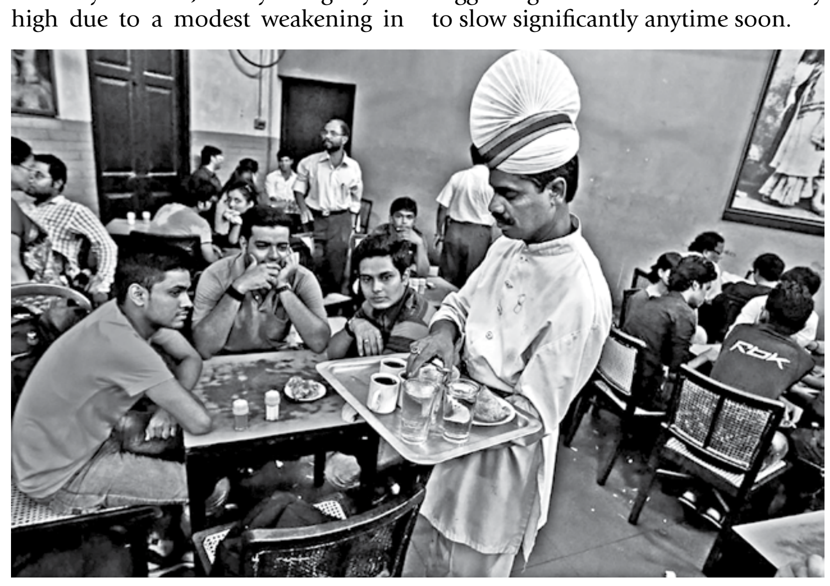
"Service providers experienced a marked improvement in workforce productivity, with the sharp rise in business activity happening despite a softer and only modest increase in employment," de Lima said.

A sister survey on Monday showed factory activity growth slowed in February from January's eight-year high due to a modest weakening in demand and output.

However, the composite PMI, which includes both manufacturing and services, rose to 57.6 in February from January's 56.3, its highest in eight years.

Service providers remained optimistic about growth in the year ahead and the expectations index strengthened to a six-month high.

On the price front, growth in both input cost and prices charged weakened only modestly in February, suggesting retail inflation is unlikely to slow significantly anytime soon.



REUTERS/FILE

A waiter serves coffee to customers inside an Indian coffee house in Kolkata.

Capital flight through trade mis-invoicing staggeringly high

FROM PAGE B1

Cardamone also noted that poorer nations are often the hardest hit by mis-invoicing: of the 10 countries with the largest average value gap from 2008-2017, six are in Africa and are among the poorest countries in the world, including Sao Tome and Principe, the Gambia and Burundi.

The developing countries with the largest annual average value gaps in their bilateral trade with 36 advanced economies over the ten-year period were China ($323.8 billion), Mexico ($62.9 billion), Russia ($56.8 billion), Poland ($40.9) billion and Malaysia ($36.7 billion).

Developing countries with the largest value gaps as a per cent of their total bilateral trade with the 36 advanced economies over the ten-year period were the Gambia (37.3 per cent); Togo (30.2 per cent); The Maldives (27.4 per cent); Malawi (26.8 per cent); and the Bahamas (26.6 per cent).

"We would say though that our most recent work does represent new findings for Bangladesh, in that this report has been made with the most up-to-date available data, and therefore, it is the most current of our work examining Bangladesh."

This report examines the latest official government trade data reported to the United Nations to estimate the magnitude of trade mis-invoicing -- one of the largest components of measurable illicit financial flows (IFFs) between and among 135 developing countries and 36 advanced economies.

Trade mis-invoicing occurs when importers and exporters deliberately falsify the stated prices on the invoices for goods they are importing or exporting as a way to illicitly transfer value across international borders, evade tax and/or customs duties, launder the proceeds of criminal activity, circumvent currency controls and hide profits offshore.

It is important to note that while the term "illicit financial flows" (IFFs) tends to include many types of activities, such as trade mis-invoicing, smuggling, tax evasion and so on, this report only focuses on trade mis-invoicing or the trade-related aspects of illicit flow of funds. It does not address all forms of IFFs.

The US, the UK, Canada, Australia, Singapore, Hong Kong, the UAE, Malaysia, and the British Virgin Islands are among the major destinations the money launderers from Bangladesh use to siphon off their illicit funds, said a government report of Bangladesh in November last year.

The government identified the countries and territories based on independent studies and cases of illicit flow of funds.

The launderers siphon off the money under the guise of some available facilities like investment visa, permanent residency, long-term residency, second home project and relaxed exchange control, according to the report.

Trade-based money laundering, hundi/hawla, bulk cash smuggling and transfer pricing manipulation are used commonly to transfer funds illegally, the paper also said.

Coronavirus to hit cash flow by $500m: GE

REUTERS

General Electric Co on Wednesday reiterated its 2020 cash and profit targets but warned its first-quarter cash flow would take a hit of $300 million to $500 million due to the coronavirus outbreak.

Shares of GE, which employs thousands of workers in China and had been seen as heavily exposed to the economic weakness caused by the virus, were up 2 per cent at $11.10 in premarket trading.

Chief Executive Officer Larry Culp, who is restructuring GE after a series of failures, in January forecast its first-quarter free cash flow at a negative $2 billion, largely due to the grounding of Boeing Co's 737 MAX for which it makes engines.

Banks' deposit growth contracts in anticipation

FROM PAGE B1

"Some government organisations have also withdrawn their deposits," Huq said.

A good number of the depositors might have started to shift their funds from banks to government savings tools to enjoy a good return, he said.

Trust Bank Managing Director Faruq Mainuddin Ahmed echoed the same.

"There is no reason for the declining deposit growth other than the 6 per cent interest cap," he said.

Standard Bank has not allowed its customers to keep their fixed deposits at more than six per cent interest, said its Managing Director Khondoker Rashed Maqsood.

Deposit growth may decline in January as banks take some time to set their annual target, he said. "We should take more time to realise the impact of the 6 per cent interest rate on deposits," he said.

Banks have also taken a cautious stance towards disbursing fresh loans as they think that deposit growth may decline in the coming months.

This has resulted in a massive fall in private sector credit growth in January.

In January, the year-on-year credit growth stood at 9.20 per cent, down from 9.83 per cent from recorded for the previous month, according to data from the central bank.

Paramount Insurance announces cash dividend after three years

FROM PAGE B4

During this time, the company itself alert stock investors that there was no undisclosed price sensitive information that could explain the abnormal rise in its price.

However, despite the alert, Paramount Insurance's stock kept sailing. The company's net operating cash flow per share is Tk 0.51.

Established in November 1999, the insurer is a subsidiary of Paramount Group. Its shares closed at Tk 37.10 yesterday, up 3.34 per cent from the previous day.

Defaulted loans not that high in neighbours' context: BB

FROM PAGE B4

He said Sonali Bank officials were apprehensive and hesitant on disbursing fresh loans after the Hallmark scam.

There will be no problem if loans are disbursed by properly following rules, he said.

"Some loans may turn into special mention account or doubtful loans if banks disburse funds. This is a regular phenomenon. But you should not stop loan disbursement," he said.

Finance Minister AHM Mustafa Kamal addressed as chief guest and Sonali Bank Chairman Ziaul Hasan Siddiqui and Managing Director Md Ataur Rahman Prodhan also spoke among others.

ISPs await fresh guidelines

FROM PAGE B1

Currently the BTRC has about 30 types of telecom licences and at the end of February the number of its total licences ran into 3,468.

BTRC Chairman Md Jahurul Haque acknowledged that the number is quite high and said the government should take the matter into consideration.

"We have the technical know-how to monitor this huge number of licences but the only challenge is a dearth of manpower," Haque told The Daily Star recently.

The telecom minister said the government was keen on increasing broadband internet connections and that was why so many licences were awarded.

"The licence number seems huge but it is logical when you see that there are about ten crore active internet connections in the country and most them want fixed broadband at home and offices," Jabbar added.

The government has scrapped a huge number of licences as the ISPs were not in business, he said, adding that the government will monitor the operators strictly in the coming days.

Ibn Sina Pharma to set up backward linkage

Move fails to lift its stock price

STAR BUSINESS REPORT

Ibn Sina Pharmaceuticals is set to invest in a polymer manufacturing plant that would primarily supply pet bottles, bottle caps and other pharma-related plastic products to the drug maker.

The plant, which would be situated at Gazipur's Maowna, would be under a subsidiary named Ibn Sina Polymer.

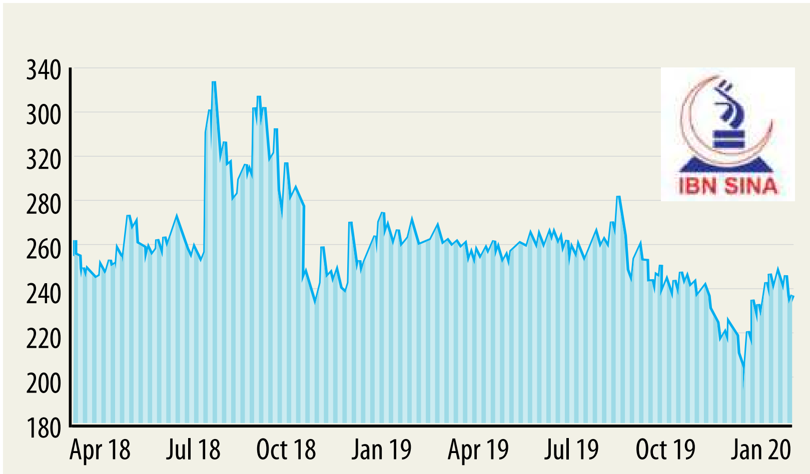
Yesterday, Ibn Sina Pharmaceuticals, which got listed on the Dhaka Stock Exchange in 1989, informed the bourse yesterday that it would have 65 per cent equity in the subsidiary.

The news though failed to lift its stock price: its shares closed at Tk 235.60, down 0.42 per cent from the previous day.

Ibn Sina Polymer's paid-up capital would be Tk 10 crore and authorised capital of Tk 40 crore.

The drug maker will invest Tk 6.5 crore in IBN Sina Polymer and the remaining Tk 3.5 crore would come from Ibn Sina Trust.

"Such investments will help the company to grow more," said Md Jasim Uddin, chief financial officer of Ibn Sina Pharmaceuticals.



Ibn Sina Pharmaceuticals is yet to decide how it would provide the Tk 6.5 crore for the subsidiary.

Once the process to form the company starts the source of funding will be decided then, he added.

Ibn Sina Pharmaceuticals' net sales witnessing more than 13 per cent growth at least in the last five years. In the 2018-19 financial year, its yearly turnover rose 13 per cent to Tk 526.4 crore.

Its earnings per share have been on a good growth trajectory, save for in the 2018-19 financial year when it dropped 25.7 per cent to Tk 10.76.

Ibn Sina's products sold mostly in Chattogram and Dhaka division. The Chattogram division alone accounts for about 31 per cent of its turnover.

The drug maker's top selling brand is Dexlan, which is a healing medicine for gastric ailments.

Paramount Insurance announces cash dividend after three years

STAR BUSINESS REPORT

Paramount Insurance's stock price more than doubled in the last one year but its lower dividend disheartened stock investors.

The insurer, which got listed in 2007, yesterday announced 2 per cent stock and 2 per cent cash dividend for its shareholders for the 2019 financial year. In the previous year, the company provided only 5 per cent stock dividend.

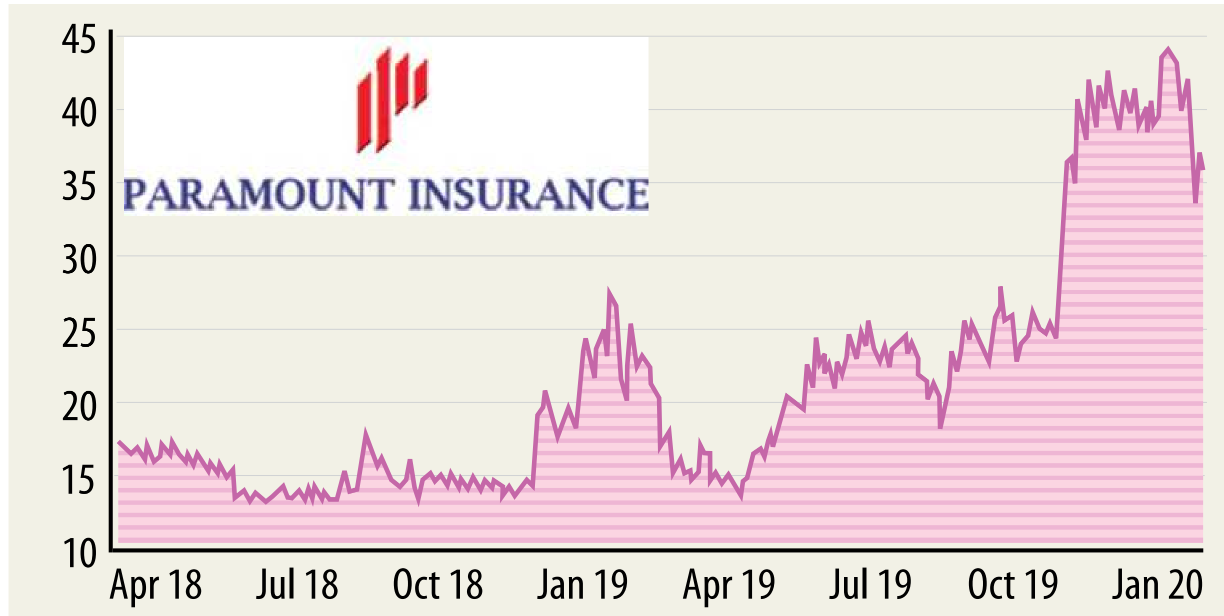
Every non-life insurance should have Tk 40 crore of paid-up capital as per the Insurance Act 2010. At present, its paid-up capital is Tk 33.22 crore. So, it has been giving stock dividend every year since 2005 save for 2016, when it announced 2 per cent cash dividend.

Market analysts said the company's earnings per share rose to Tk 1.17, which was Tk 0.52 in the previous year.

As the insurance companies' shares were on a rising trend last year, some insurers' stocks rose for any good reason.

In 2019, Paramount Insurance's stocks soared 115.7 per cent to Tk 37.

READ MORE ON B3



STOCKS BACK IN THE RED

Shares on the Dhaka Stock Exchange (DSE) returned to the red yesterday just a day after snapping a seven-session losing streak. The DSEX, the benchmark index of the country's premier bourse, gave up 56.5 points, or 1.3 per cent, to end the day at 4,410, as investors went for profit-booking. Sales pressure faced by sectors such as textile, engineering, energy and power, pharmaceuticals, food, banks and other financial institutions contributed to the fall.

DSEX fell to 4,410 points (down 56.5 points, or 1.3%)

Turnover fell to Tk 511cr (down Tk 98.4cr, or 16.2%)

TOP FIVE GAINERS

Company	Gain (in %)
Hakkani Pulp	9.9
Intech	9.9
ICB AMCL Sonali	9.3
CVO Petrochemical	9.1
Central Pharmaceuticals	9.6

TOP FIVE LOSERS

Company	Loss (in %)
ML Dyeing	9.5
RN Spinning Mills	8.7
Central Pharmaceuticals	8.3
Silva Pharmaceuticals	8.2
Olympic Accessories	8.0

TOP SECTORAL CONTRIBUTION

Sector	Change in market cap (in %)
Textile	3.0
Cement	2.9
Services	2.6
Engineering	2.2
Miscellanous	1.5

TOP TURNOVER

Company	Turnover (in crore Tk)
Silva Pharmaceuticals	13.3
Orion Pharmaceuticals	11.3
SK Trims	10.9
VFS Thread Dyeing	10.2
Saiham Textile	10.1

Northern Jute resumes production after accounts unfreeze

STAR BUSINESS REPORT

Northern Jute yesterday resumed operations at its factory at the BSCIC Industrial Estate in Kushtia after the Supreme Court issued a ruling to unfreeze all bank accounts related to the business.

The news sent Northern Jute's shares up 2.31 per cent to Tk 406.70 on the Dhaka Stock Exchange (DSE) yesterday.

On February 23, Northern Jute announced that their factory would be closed indefinitely due to a Bangladesh Bank directive to freeze all of the bank accounts related to the firm, which left the listed jute producer unable to clear workers' wages.

"The labourers at the factory are paid on a weekly basis and since all the bank accounts are frozen, the operations had to be shut down," said Shahadat Hossain Patwary, company secretary of Northern Jute.

Since the chairman of Northern Jute, Uzzal Kumar Nandi, is also chairman of People's Leasing and Financial Services (PLFS), the decision to discontinue production could have been considered as an outcome of the PLFS's ailing financial situation.

PLFS has been undergoing liquidation since July last year.

However, Patwary denied allegations that his company's current situation was related to that of PLFS despite both firms having the same chairman.

Stock market analysts said the PLFS's liquidation has had a huge impact on the depositors, stock investors and many listed companies, which have deposited their money in the non-banking financial institution.

"The sponsors and directors of PLFS should be punished," analysts said, adding that the government should remain cautious so that such sufferings are not inflicted on other companies.

Due to the account freeze, Northern Jute could not realise any export proceeds. As a result, it could not procure raw jute or make party payments to spare part suppliers, it said.

Besides, the company could not disburse any cash dividends to its shareholders although adequate funds have been kept aside.

According to data from the DSE, Northern Jute's stock price was unstable over the past two years due to its earnings volatility.

By the end of June 2018, the company's earnings per share (EPS) were Tk 17.15 in the negative and it provided no dividend. As a result, it was demoted to Z category on the DSE.

Just a year later, the EPS jumped to Tk 23.29, which catapulted Northern Jute to A category.

In the second quarter of the ongoing financial year, the jute product producer's EPS dropped to Tk 2.94, down from Tk 9.06 a year earlier.

HC allows tenure extension of EBL First Mutual Fund

STAR BUSINESS REPORT

The High Court yesterday upheld the decision of closed-end EBL First Mutual Fund's trustee and asset manager to extend its tenure for another 10 years.

Closed-end mutual funds are investment tools that pool a fixed amount of money for a certain period from investors and re-invest them into stocks, bonds and other assets.

Yesterday the HC bench of Justice JBM Hassan and Justice Md Khairul Alam rejected a writ petition filed by The City of London Investment Management Company (CLIM) challenging the decision.

The CLIM filed the petition on October 21 last year stating that the fund manager had not sought unitholders' approval for the extension.

This was a violation of rule 50B of the Bangladesh Securities and Exchange Commission (Mutual Fund) Rules, 2001, it said.

Moreover, the extension contradicted what is stated in the fund's prospectus, it said.

On January 24, 2010, the stock market regulator fixed the tenure of all closed-end mutual funds at 10 years "realising the benefits of investors and development of the capital market", said its notice.

However, on September 16 last year, the BSEC extended the tenure of closed-end mutual funds by another 10 years following calls from some asset management companies.

This led to many asset managers extending their funds' tenures.

On August 5 this year, Bangladesh Race Management Private Company decided to extend EBL First Mutual Fund's tenure by another 10 years.

The CLIM then filed the writ petition. On hearing it the HC sought to know why the respondents will not be ordered to liquidate the fund and distribute the proceeds among unitholders.

It also ordered the asset manager, Bangladesh Race Management Private Company, not to take any asset management fee until the ruling was disposed of. The Investment Corporation of Bangladesh is the fund's trustee.

The latest HC decision lifts all bars on running activities of EBL First Mutual Fund.

Expand exports, stimulate investment for 10pc growth: MCCI

STAR BUSINESS DESK

The government needs to accelerate economic growth to about 10 per cent, expand exports and stimulate investment to establish a middle-income country by 2021, said the Metropolitan Chamber of Commerce and Industry, Dhaka yesterday.

In its October-December economic review, the chamber said most local economic indicators were facing an uncomfortable ride amid a gloomy global economy.

"Some economic indicators such as remittances, inflation, foreign exchange reserves are positive in December 2019. The economy, however, faced a number of challenges on its business and fiscal fronts in recent times, even though the political atmosphere has been peaceful," it said.

Remittance inflows during the quarter increased by 34.64 per cent year-on-year to $4.88 billion as the government announced a 2 per cent cash incentive on receipts.

The chamber said challenges that need to be addressed properly were inflationary pressure, slower export and import growth, shortfall in tax collection, vulnerable banking sector and slow credit growth to the private sector.

Other areas that need focus include fall in the key indexes of the capital market, lack of investor confidence and a lower rate of investment, specially foreign direct ones, it said.

Bangladesh's economy grew 8.15 per cent last fiscal and Bangladesh Bank forecasts an 8.2 per cent GDP growth in the current fiscal.

However, World Bank and Asian Development Bank predicted it to be 7.2 per cent and 8.0 per cent respectively.

During the July-December period of this fiscal, agriculture, manufacturing and services sectors all performed well but continuous government support of various types will be needed to sustain their growth, the chamber said.

"Infrastructure deficits and gas and power supply problems along with faulty transmission capacity are now undermining the performance of all productive sectors of the economy," it said.

The MCCI said the government should adopt adequate steps to overcome these problems, and achieve and maintain political stability, which were essential for creating an investment-friendly climate so crucial to achieve higher economic growth.

In addition, the government will need to improve the country's road, river and rail infrastructure, develop port facilities, increase power and gas production, and remove other infrastructure bottlenecks, it said.

The chamber said remittances have kept on increasing, exchange rates remained stable and foreign exchange reserves rose to a comfortable level during the quarter.

Export earnings from merchandise in the first half of the current financial year decreased by 5.84 per cent year-on-year to $19.30 billion.

Defaulted loans not that high in neighbours' context: BB

STAR BUSINESS REPORT

The amount of defaulted loans in the country's banking sector is not that high in context to that faced by neighbouring nations, said Bangladesh Bank Governor Fazle Kabir yesterday.

Some organisations tried to show off defaulted loans in the country's banking sector by way of including rescheduled loans and written-off loans, he said, adding, "But rescheduling is an ongoing process."

He was addressing as chief guest an annual conference of state lender Sonali Bank at Bangabandhu International Conference Centre.

Mentioning the downward trend of defaulted loans, he said it stood at 9.32 per cent of the total outstanding loans in December last year, down from 11.99 per cent three months earlier.

Defaulted loans in India earlier also increased but now such loans have decreased remarkably, said Kabir.

If defaulted loans increase, banks face some problems such as liquidity crunch and a squeeze in their capacity to give out loans, he said.

"Banks should lay emphasis on stopping fund diversions. And they have to take initiative to tackle forced loans," he said.

READ MORE ON B3

Consultancy fee raised for subway feasibility study

STAR BUSINESS REPORT

The cabinet committee on government purchase (CCGP) at a meeting yesterday approved five proposals, including one on bringing changes to a feasibility study on subway networks surrounding the capital city and its consultancy fee.

The study is being conducted by Spanish consultancy firm Tecnica Y Proyectos SA (TYPSA) and the committee approved increasing the consultancy fee to Tk 317.94 crore from Tk 219 crore.

Finance Minister AHM Mustafa Kamal presided over the meeting at the NEC-1 conference room in the capital's Sher-e-Bangla Nagar.

Briefing reporters after the meeting, Mosammat Nasima Begum, additional secretary to the cabinet division, said the fee has been increased as a larger area was brought under the study.

A proposal for constructing a road connecting Chhaina, Jashodal and Choddashata Bazar and upgrading an associated Kishoreganj-Karimganj-Chamraghat district highway involving Tk 181.80 crore was approved.

Taher Brothers, Rana Builders and Majaher Enterprise jointly got the contract.

Begum said the committee approved one proposal for purchasing berthing equipment for Tk 28.42 crore from United Trading Company and Pancharoi Udayan Sangstha for the Chattogram port.

Another proposal was on appointing NJS Consultants Company and Aqua Consultants and Associates under an Urban Infrastructure Improvement Preparatory Facility project for Tk 49.13 crore over supplying water to 11 pourashavas in Chandpur, Cumilla, Pabna and Natore districts.

The meeting approved one more proposal for re-tendering a "SASEC Road Connectivity Project: Upgradation of Elenga-Hatikumrul-Rangpur highway into four-lane".