

Banks heading for robust growth

Top official of Germany's Commerzbank says the next decade is a good time for banks

MD FAZLUR RAHMAN

THE banking sector will grow in a big way in the next five to 10 years, due to the rapid economic growth, a top international banker said.

"Higher GDP growth and low bankersisation are sources of growth for the banking sector," said Christof Gabriel Maetze, Frankfurt-based Commerzbank's global head of financial institutions.

Bankersisation, the ratio of total banking transactions to GDP, happens to be 52 percent in Bangladesh, but is close to 200 percent in Germany.

"In Bangladesh, you will have at least five to 10 years of relatively rapid banking growth because of these two factors."

Maetze, also a member of Commerzbank's board of management, was in Dhaka last week to inaugurate the bank's representative office.

"Bangladesh has a very interesting financial aspect as it has continued to grow steadily for a long period. It makes total sense to participate in the growth."

The second largest bank in Germany, Commerzbank is now looks to increase its presence in the growth markets, specifically South Asia.

"We are convinced that we will be able to significantly increase our market share in the import and export business with Bangladesh through our presence here," Maetze said.

Asked if the bank would be opening a full-fledged operation, he said: "We have learnt from over 140 years of our existence that it is always good to start slow. We are



Christof Gabriel Maetze

starting a representative office now; let's see how it works out."

"But I am very serious about not growing too fast," he added.

During his two-day stay, Maetze also met with Bangladesh Bank Governor Atiur Rahman and spoke at lengths on financial inclusion.

"We would like to make Bangladesh more visible to the rest of

the world -- it is our form of financial inclusion."

Maetze reserved particular word of praise for the private banks, deeming their growth to be "prosperous" for the country.

"But it will be very challenging for the state-owned banks in future as they are carrying a burden on their backs. It has to be seen how this is dealt with, as the

answer is partially political -- and not economic."

Regarding the high interest rates in Bangladesh, he said the situation is the same around the world.

"It would be very important for the entrepreneurs to develop an active capital market so they have more than one choice to borrow from in the future. If the only source of lending is the banks, it becomes more difficult."

"Opening the financial sector more will make it more competitive and will most probably lead to a reduction in rates," he added.

Maetze said the collapse of Lehman Brothers has changed the way big banks operate.

"One thing I have learnt from the Lehman Brothers collapse is that you can run a large bank, but it should not be too large."

"Another lesson is you should always try not to overgrow. If you try to grow too fast, your system, team and people may not be able to support the growth."

About profit-mongering among many financial institutions, he said: "In markets where there is fair competition you can not charge as you wish."

He, however, supports the idea of profit maximisation.

"I believe when banks are profitable and healthy, they contribute to the economy by providing jobs, paying taxes and usually exercising certain corporate social responsibilities in various ways."

Commerzbank boasts nearly 15 million private customers, as well as 1 million business and corporate clients.

fazlur.rahman@thedailystar.net

3G guideline finalised

ABDULLAH MAMUN

THE telecom ministry may send the final 3G licensing guideline to the regulator today for further action, said Telecom Secretary Md Abubakar Siddique yesterday.

After getting the guideline, the regulator will initiate the process of auction.

"The 3G guideline is almost finalised and will be sent to Bangladesh Telecom-communication Regulatory Commission tomorrow (today). It will also be uploaded in websites," Siddique said.

He said a total of four licences will be given for 2,100 megahertz spectrum -- three to the incumbent operators and one to a new entrant.

Earlier, at the end of 2012 the finance ministry set \$20 million as the base or starting price for the auction for per megahertz spectrum. The spectrum will be technol-

ogy-neutral and operators will be able to provide services of 3G or 4G or LTE (long term evolution). LTE offers faster speed in data transfer compared to 3G.

A total of 40 MHz spectrum will be auctioned, while another 10 MHz spectrum has already been allocated to state-owned Teletalk on a trial basis.

The operators will be able to purchase maximum 10 MHz or minimum 5 MHz spectrum. If any spectrum remains unsold, the operators will be allowed to purchase the left, but not beyond 15 MHz in total, said the telecom secretary.

Teletalk will pay for its 10 MHz as per the auction price. Five private mobile phone operators -- Grameenphone, Banglalink, Robi, Airtel and Citycell -- are expected to participate in the auction.

An internet service provider may participate in the auction as the new entrant, according to industry insiders.

Govt revenue from stocks falls sharply

STAR BUSINESS REPORT

THE government's earnings from stock trading fell 56 percent year-on-year to Tk 3.89 crore in January, the lowest in three and a half years.

The transaction volume was on the decline with a continuous downward trend in share prices since the market debacle two years ago.

The previous lowest tax collection by the government from stock trading was Tk 3.09 crore in May 2009.

The tax collection is related to trading volume and value. More trading of stocks generates more tax for the government.

The daily turnover on the premier bourse came down to a five-year low at the Tk 100 crore level in January, according to data from the Dhaka Stock Exchange.

The DSE, on behalf of the government, collects the tax as brokerage commission at 0.05 percent and deposits the amount to the state coffers.

As the tax is collected from turnover value, it's usual that tax will fall if turnover declines, a DSE official said.

"The tax collection from brokerage commission marked a significant fall in January," the DSE official added.

The government's earnings from tax on sales of sponsor and placement shares also declined in the first month of this year.

The government bagged only Tk 0.21 crore in tax from share sales by sponsor shareholders in 2013.

Last year, the government earned tax worth Tk 100.11 crore through brokerage commission, while Tk 82.38 crore in tax from share sales by sponsor shareholders and placement holders in 2012.

G20 to skirt potholes and follow growth signposts

REUTERS, London

WITH the road ahead looking a bit smoother, G20 finance ministers will be happy to ignore the wreck in the rear-view mirror when they meet this week to steer a course for the world economy.

The euro zone as a whole and a clutch of its members, including France, Italy and the Netherlands, are expected to report that their economies shrank last quarter -- joining Germany and the United States -- while Japan's barely grew, according to economists polled by Reuters.

But the Group of 20 leading economies, which meets in Moscow on Friday, should be able to take heart from a pair of more timely indicators -- a New York Fed manufacturing survey and a University of Michigan poll on consumer sentiment.

Economists expect both to show an improvement, despite the gnawing uncertainty of how long-running US deficit reduction negotiations will affect taxes and spending.

Luca Paolini, chief strategist at Pictet Asset Management in London, said he was more positive on the global outlook on balance but a sense of perspective was needed. Buoyant markets risked getting ahead of themselves.

"Our own leading indicators are going up, but we don't think we're in a strong growth environment. We see weak growth, and that's not going to change this year," he said.

Simon Hayes, an economist with Barclays Capital, broadly agreed. "On the whole, recent activity data have been encouraging of our view that the global economy is improving, albeit slowly," he said in a report.

January US retail sales figures are likely to underline this point. Hobbled by the Jan. 1 increase in payroll taxes, economists expect a rise of just 0.1 percent on the month.

By contrast, US capital spending is finally perking up from a low level as corporations, realising that protracted cost-cutting is hurting productivity and growth prospects, give the green light to pent-up investments, Paolini said.

"But we're not overly optimistic because investment is based on confidence. You can have all the money you

want, but you're not going to invest if you expect growth to be weak. So if we have any kind of shock -- it can be politics or something else -- investment will fall again," he said. China delivered a boost to confidence on Friday with a batch of strong trade and money data for January.

Economists are wary of reading too much into China's figures at the start of the year because of distortions due to the variable timing of the long Lunar New Year holidays.

But Ting Lu, Bank of America Merrill Lynch's chief China economist, said they supported his view that gross domestic product growth could accelerate to 8.3 percent in the first half of this year from 7.9 percent in the fourth quarter of 2012.

China is not the only developing economy that is doing its bit for global growth. Mark Williams, chief Asia economist with Capital Economics in London, said there had been signs of a rebound across the emerging world in the past month. Goldman Sachs, too, said there had been a marked improvement in consumer confidence across emerging markets coming into 2013.

"It had been the case that Latin America and Asia were looking up at the end of last year but emerging economies in Europe were still looking very weak. But even they are now joining in the recovery. So it's looking increasingly broad-based," Williams said.

One obvious pothole on the road to recovery is the threat of a spate of competitive devaluations, as growth-hungry countries seek to give their exporters an edge by talking down their currencies or actively pushing them lower by bold monetary easing.

Japan has come in for fierce criticism in some quarters for that very reason, but Finance Minister Taro Aso sought to restore calm on Friday by saying the recent slide in the yen had gone too far.

His emollient words reinforced expectations that the G20 will not point the finger at Tokyo.

At the same time, European Central Bank President Mario Draghi's success in reversing the euro's climb with a few well-chosen words last Thursday has eased the worries of France and others for now that the single currency was approaching levels that would do real damage to the euro area.

India car sales dive, performance worst in decade

AFP, New Delhi

INDIA'S once-booming passenger car sector appeared set for its worst performance in a decade, an industry official said on Monday, as sales slid in January by over 12 percent from a year earlier.

Car sales -- viewed as a key barometer of overall economic health -- slumped by 12.45 per cent to 173,420 units in January from 198,079 units in the same month of 2012, the Society of Indian Automobile Manufacturers (SIAM) reported.

"We now think passenger car sales growth for the (2012-13 financial) year will be in negative figures," SIAM deputy director general Sugato Sen told AFP, adding that "the last time we had a negative was in 2002-03".

"The industry is in tough times," Sen said.

SIAM had already slashed its passenger sales forecast for the fiscal year to March 31 from an initial 10-12 percent to 0-1 percent.

Sen said there would be no official revision to SIAM's most recent forecast but added they do not expect a recovery in the final quarter of the year.

Sales so far this financial year are down around two percent on the same period a year earlier, Sen said.

Consumers have been postponing car purchases with India's economy set to grow at its weakest pace in a decade. Higher fuel costs and steep interest rates have also kept buyers out of showrooms.

Total sales of trucks and other commercial vehicles -- seen as another important pointer to economic vitality -- slumped by 9.51 percent to 63,218 units from 69,865 units in the year-ago period, SIAM said.

Euro strength poses headache for eurozone ministers

AFP, Brussels, Belgium

DUTCH Finance Minister Jeroen Dijsselbloem holds his first eurozone meeting Monday just as hard-won measures to stabilise the bloc pose a different problem -- a strong euro dampening the economy.

The debt crisis Dijsselbloem inherits has eased greatly since the European Central Bank vowed last year to intervene in the markets to tame borrowing costs and EU leaders agreed tough steps to bolster the euro's defences.

But after months when it seemed the single currency's future was in doubt, the euro has now risen sharply, sparking fears it could make eurozone exports less competitive and so undercut badly needed growth.

France especially has voiced its concerns as Japan, a major EU trading partner, forces down the yen to make its exports cheaper.

French Finance Minister Pierre Moscovici called last week for a debate on the euro's exchange rate and wants the eurozone to consider setting a target level, which the ECB would then have to defend.

Markets cannot be relied on to determine a fair value for the euro, French President Francois Hollande argues.

But Germany, Europe's paymaster, and the ECB are uncomfortable with such talk given that the central bank's mandate is to ensure price stability, not manage the forex markets.

Many analysts noted how a cautious ECB head Mario Draghi tried to 'talk down' the euro last week with very guarded comments on the economic outlook And to some extent he succeeded.

Several of the eurozone finance ministers will likely be taking up the issue again later in the week when the Group of 20 meets in Moscow and as the subject moves up the international agenda amid fresh talk of a "currency war."

Dijsselbloem has several other



difficult issues on his plate: a Cyprus debt bailout, continued weak growth and political uncertainty ahead of elections in Italy and Germany.

Cyprus, which also goes to the polls shortly, has asked for help to the tune of some 17 billion euros, equal to its annual economic output, but there are deep misgivings about its banking system and money laundering.

If the sums involved are relatively small -- Greece needed some 240 billion euros in direct aid -- letting Cyprus fail could badly compromise the credibility of the euro, threatening the recent progress made.

An EU official said Monday's meeting would review the situation

but no accord is expected until a new Cypriot government is formed in March.

Ministers will likely also review progress on the key measures agreed last year -- a single regulator for the banks and the working of the European Stability Mechanism, the bloc's defence back-stop.

Officials say ministers will also honour respected former eurogroup head Jean-Claude Juncker of Luxembourg who served for eight years, stepping down in January after overseeing a difficult overhaul of the euro's shaky foundations.

The 17 eurozone finance ministers are joined by their 10 non-eurozone colleagues for a meeting on Tuesday.