

# India factory output hits 17-month peak

AFP, New Delhi

Indian factory output surged to a 17-month peak in July, according to a key business survey Friday, spurring hopes Asia's third-largest economy may be pulling out of its longest downturn in a quarter-century.

Car sales accelerated briskly as well, after falling for two straight years, suggesting an economic pickup.

But the HSBC Purchasing Managers' Index (PMI) measuring factory production -- keenly watched as a harbinger of industrial expansion and overall economic health -- also flagged inflation worries ahead of a key monetary policy meeting next week.

The PMI survey jumped a full 1.5 points to 53.0 last month -- its best level since February 2013. A reading of over 50 points suggests expansion while under 50 indicates contraction.

"A flood of new orders from both domestic and external sources

has led to a surge," Frederic Neumann, HSBC Asian research co-head, said.

"Finally, the manufacturing sector is starting to pick up steam," Neumann said.

The output rise was across the board, Neumann noted, boosting hopes India's economy could be rallying from its longest spell of sub-five-percent growth in a quarter-century.

Business confidence has been building that Prime Minister Narendra Modi's right-wing government, which took power in May, will initiate policy changes to propel growth and emulate China's economic ascent, despite a budget last month that eschewed radical reforms.

The PMI results coincided with a government survey in neighbouring China showing manufacturing activity climbed last month at its fastest pace in over two years.

However, India's PMI survey also highlighted mounting inflation

worries ahead of a central bank monetary policy-setting meeting next Tuesday.

Input prices accelerated at their fastest since February, the survey found, suggesting stubbornly high inflation could rise further as firms seek to recover increasing costs.

"The speed of the recovery has also lifted price pressures" which means the central bank "may not cheer as loudly as the rest of us" about the PMI readings, said Neumann.

Industry has been clamouring for the hawkish bank to cut India's leading interest rate from a steep eight percent to stimulate growth that was 4.7 percent in the last financial year to March 2014, down from nearly nine percent as recently as in 2011.

But most economists expect no cut in rates until at least the first quarter of the next financial year with consumer price inflation riding at 7.31 percent, far above the bank's six-percent target.

Some suggest another rate hike may come, although not immediately, as below-normal monsoon rains threaten to push up food prices while Middle East tensions could raise crude oil costs in an economy heavily dependent on imported fuel.

Still, the PMI survey's overall tone was upbeat, showing new orders -- an important sub-category and portent of future output -- growing at the fastest pace in 17 months.

Separate data Friday showing vehicle sales shifting into the fast lane also indicated greater economic buoyancy.

Leading carmaker Maruti Suzuki's unit sales jumped 22 percent in July from the same year-ago month while Honda's sales leapt 40 percent.

Maruti's chief financial officer Ajay Sheth said the sales rise was driven by a post-election mood turnaround.

"Consumer sentiment changed and turned positive," Sheth said,



SOUTHEAST BANK

Ayesha Shireen Rahman, project director of Southeast Bank Foundation, hands over two ambulances to Tareque Memorial Hospital in Chagolnaiya, Feni as part of the bank's corporate social responsibility recently.

## Tesla and Panasonic team up to build battery factory

BBC NEWS

Electric carmaker Tesla is to team up with Japanese electronics firm Panasonic to build a "gigafactory" battery manufacturing plant in the US.

Tesla said the plant would be built in Nevada, Arizona, Texas, New Mexico or California and create 6,500 jobs.

The factory will produce cells, modules and packs for Tesla's electric cars.

California-based Tesla will prepare, provide and manage the land and buildings, and Panasonic will make and supply the

lithium-ion battery cells.

Tesla said the move would reduce its battery costs by 30 percent.

"The 'gigafactory' represents a fundamental change in the way large-scale battery production can be realized," said Tesla chief technical Officer and co-founder J B Straubel, referring to the cost reductions.

Yoshihiko Yamada of Panasonic said the planned factory will help the electric vehicle market grow.

Sales of zero-emission electric vehicles currently make up less than 1 percent of the world's car market.



MODHUMOTI BANK

Abdullah Al Islam Jakob, deputy minister for environment and forests, presents a loan cheque of Modhumoti Bank's Labonnyo product to Shomi Kaiser, managing director of Dhanshiri Communications, at a programme recently. Md Mizanur Rahman, managing director of Modhumoti Bank, was also present.



BDMART

Arzuda Karim, director of Orion Group, inaugurates BDMart, an e-commerce based company of the group, at a programme recently. Salman Obaidul Karim, group managing director, was also present.

## Moody's upgrades Greece rating by two steps

AFP, Washington

Moody's raised troubled Greece's credit rating by two notches Friday, citing improvements to the government's finances and its commitment to further gains.

Moody's set its new rating for Greece at Caa1 with a stable outlook, up from the previous Caa3, still well in "junk" territory but a significant mark of progress as the country struggles to emerge from crisis.

The ratings agency said it expects Greece's debt burden to peak this year, at 179 percent of GDP, and begin slowly falling as the economy begins to expand.

Greece will also meet the target for a primary budget surplus of 1.6 percent this year set by its bailout lenders, the International Monetary Fund, the European Central Bank and the European Commission.

"The government's progress in fiscal consolidation under its economic adjustment program underscores the improvement in the

debt trajectory," it said.

"Moody's considers that Greece's fiscal outlook is more resilient than in the past, given the improvement in the debt affordability."

Greece's economy has continued to contract this year, shrinking at a 0.9 percent pace in the first quarter, but Moody's said this is better than expected and a great improvement on the 2013 contraction of 6.0 percent.

By the end of the year, it expects the economy will have expanded 0.4 percent and pick up to 1.2 percent growth next year.

The agency also acknowledged that while the structural reforms mandated by the troika of official lenders have only shown mixed results, the government's efforts to reform the labor market and some product markets have made "good progress."

"These reforms have led to wage and price adjustments, which far outstrip adjustments elsewhere in the euro area periphery," it said.

## ArcelorMittal lowers 2014 outlook on lower iron ore price

AFP, Paris

Steel titan ArcelorMittal said Friday it has reduced its outlook for 2014 because of a lower-than-expected iron ore price, even as it reported a return to profit in the second quarter of this year.

For the first time for two years, ArcelorMittal said it produced a quarter in the black, generating \$52 million in net profit in the second quarter of this year against a loss of \$780 million for the same period last year.

For the full half-year, though, the overall net figure was in the red to the tune of \$153 million -- yet that was a big improvement from a loss of \$1.1 billion a year ago.

But the underlying performance

improved, since operating profit in the first half of the year rose by nearly 8.0 per cent from the equivalent figure last year.

The company, run by Indian magnate Lakshmi Mittal and based in Luxembourg, said it now expected 2014 Ebitda (earnings before interest, taxes, depreciation and amortisation) to be \$7 billion (5.0 billion euros) instead of the \$8 billion previously projected.

The price of shares in the group fell by 4.31 percent in early trading to 10.88 euros in an overall French market which was down 0.78 percent.

Analysts at brokers bank of America-Merrill Lynch said the outcome was "disappointing"

The group said that the iron ore

price has "been lower than anticipated," it explained in a statement outlining its half-year results.

The company said indicators looked positive for the rest of this year in Europe and the United States, which together accounted for two-thirds of shipments.

A year ago the group had issued a profits warning at the end of the first half but also said that it had reached the low point of the cycle for the steel industry in the first half.

In the second quarter of this year operating profit improved by 3.7 percent to 1.8 billion euros compared with the figure at the same time last year, and for the first six months it was up 7.7 percent to 3.5 billion euros.

## Japan's Sharp logs \$17.4m first-quarter net loss

AFP, Tokyo

Sharp said Friday it logged a \$17.4 million net loss for the three months to June, but added it still expected a full-year profit as the Japanese electronics giant tries to move past years of record losses.

The Osaka-based company lost 1.79 billion yen in the period, well down from a 17.98 billion yen

shortfall a year ago, which it said was largely due to one-time factors.

Sharp was profitable on the operational side and said it was still on track to earn 30 billion yen in the fiscal year through March.

Sales in the latest quarter came in at 619.7 billion yen, up 1.9 percent on year, as sales of its television rose, particularly in China,

while it saw an operating profit of 4.6 billion yen, against 3.01 billion a year earlier.

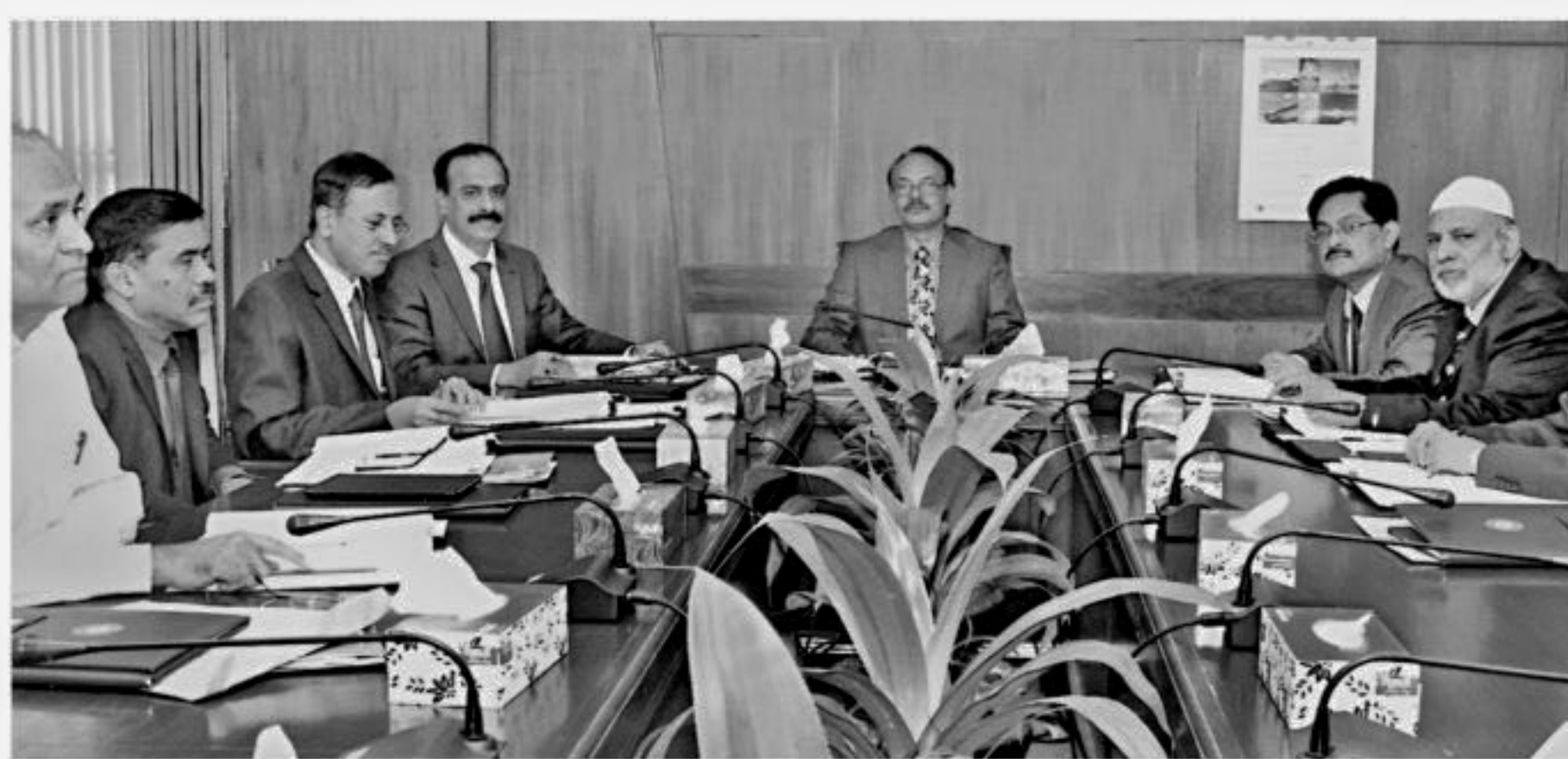
Sharp has been undergoing a huge restructuring process to pare losses largely tied to its ailing electronics business.

The company had swung back to profit for its latest fiscal year after two years of huge losses, thanks to stronger sales and cost-cutting.



OMERA PETROLEUM

Nizam Ahmed, managing director of Omera Petroleum, a subsidiary of MJL Bangladesh, attends an Iftar programme organised by the company at Army Golf Club in Dhaka recently. Md Nurul Alam, general manager for sales and marketing, was also present.



ICB

SM Mahfuzur Rahman chairs a board meeting of the Investment Corporation of Bangladesh recently. The board approved and announced dividends for the company's mutual and unit funds for the year ending on June 20, 2014.

## Four NBR members get secretary status

STAR BUSINESS REPORT

Four members of the National Board of Revenue (NBR) were awarded the status of a secretary, the first time in the agency's history.

The senior members of the board who got the promotion on Thursday are: Farid Uddin, Jahan Ara Siddique, Syed Aminul Karim and Mohammad Alauddin.

Apart from the change in status, their pay structure was also upgraded to grade one, according to an order from the public administration ministry.

As of Thursday, the four members were enjoying the status of an additional secretary of the hierarchy of the bureaucracy.

## Pfizer bid for GSK has some merits, says Berenberg

REUTERS, London

Could Pfizer acquire GlaxoSmithKline as a "plan B" after failing to land AstraZeneca? It would be a stretch but not totally impossible, according to analysts at Berenberg Bank.

GSK's market capitalization has slumped to \$117 billion, or just under Pfizer's failed offer for AstraZeneca, following weak quarterly results and a warning on full-year profits last week.

Pfizer would have to offer a premium to that, but even if it paid \$164 billion, or 20 pounds a share, with \$74 billion in cash, it would still end up with a highly earnings-boosting deal, the bank said in a note on Friday.

"This is perhaps a stretch, but not totally unrealistic," the analysts wrote. Pfizer, which has a market value of \$183 billion, declined to be drawn this week on whether it would renew its bid for AstraZeneca later this year, as it is allowed to do, but said it was still considering big deals.

Buying a large British drug company is attractive to U.S.-based Pfizer because it would slash its tax bill by moving its tax address to Britain, in a process known as inversion.

GSK and Pfizer already work together through the Viiv Healthcare joint venture in HIV/AIDS, which contains one of GSK's most promising new drugs, Tivicay.

Acquiring GSK would also bolster Pfizer's vaccine business and give it a leading position in respiratory medicine, even if GSK is struggling with competition in this field. There would be further potential to combine the two firm's mature products.

But there are also good reasons for Pfizer to think very hard before considering a move on GSK.

The U.S. company is keen to grow in cancer, but GSK has just sold this part of its business to Novartis, and it is instead bulking up in consumer healthcare, an area Pfizer quit some years back.

GSK, meanwhile, has said its complex three-way Novartis deal could create new options, and there has been speculation of a possible break-up of the company several years down the road.

"GSK may just be too large for Pfizer to handle, but as a plan B it has some merits," Berenberg concluded.

## A curious case of swindle at BASIC Bank

FROM PAGE B1

It said the branch also made forgery in its classified loan statement to hide the real picture.

The Gulshan branch's classified loan was Tk 1,009.67 crore as of September 2013 but it was shown to be Tk 545.66 crore as of December 2013 in the CL report. In other words, it showed that the bad loans were reduced by Tk 464.01 crore.

The branch officials informed the central bank inspection team that the classified loans were doctored following telephonic instructions from the head office. Without any rescheduling, the branch showed Tk 464.01 crore in unclassified loans. "The bank management is responsible for this," the BB said.

The central bank first opened a probe into BASIC Bank's Gulshan branch in 2012. It ran another investigation between January and June this year. The latest report was forwarded to the Anti-Corruption Commission on July 15, and the anti-graft body has engaged an officer to investigate the matter.

## India begins to tranship rice via Ashuganj

FROM PAGE B1

Around 1,000 Bangladeshi trucks will transport the 10,000 tonnes of rice from the river port in Ashuganj to food warehouses in Tripura. Ashuganj is 31 kilometres away from Tripura's capital Agartala.

With the move, India for the first time has allowed Bangladeshi trucks to enter its territory.

The northeastern states of India are largely dependent on other states for food grain and essential commodities. But there is a huge gap in road and rail networks between these two parts of India.

During monsoon, transport goes haywire due to floods and landslides. India has long been asking the government to allow it to use Bangladeshi land, sea and rail networks to reach the northeast states.