

India's weak industrial output clouds recovery hopes

AFP, New Delhi

Indian industrial production was unexpectedly weak in August, official figures Friday showed, suggesting that recovery of Asia's third-largest economy may still be some way off.

Output of factories, mines and utilities grew by a marginal 0.4 percent in August from the same month a year earlier, far undershooting a consensus market forecast of 2.2-percent growth.

The slack output was a dampener for the right-wing government of Prime Minister Narendra Modi, who took office in May following a landslide election win.

Modi has promised to revive an economy that grew

by 4.7 percent in the last financial year to March, down from near double-digit expansion a few years ago.

"The data is indeed disappointing," said Debopam Chaudhuri, chief economist at ZyFin Research.

Manufacturing production, which represents three-quarters of the Index of Industrial Production, contracted by 1.4 percent in August.

"Sectors continue to reel under the slowdown," said A. Didar Singh, secretary general of the Federation of Indian Chambers of Commerce and Industry.

July output growth was revised downward to 4.4 percent from 4.5 percent, according to the data.

Factory output was hit in

August by a 11.3-percent decline in production of capital goods such as plant equipment -- a harbinger of future investment intentions.

Patchy consumer demand was underscored by a 6.9-percent shrinkage in production of consumer goods such as fridges and stoves.

"The fall in manufacturing growth has not yet bottomed out," FICCI's secretary general said.

"It is more worrisome to see negative growth in consumer and capital goods especially when we were hoping demand would pick up," he said.

The gloomy data came after the H S B C Manufacturing Purchasing Managers' Index, keenly watched as a portent of

industrial expansion and overall economic health, suggested factory activity expanded at its slowest pace in nine months in September.

India's economy has posted two years of sub-five-percent growth, the longest slowdown in a quarter century, as the central bank kept interest rates steep to combat stubborn inflation.

But foreign investors have poured money into Indian stocks in hopes the new government's moves to clear infrastructure projects and create a more favourable business climate will lift growth and help India emulate China's economic ascent.

Growth in gross domestic product rallied to 5.7 percent year-on-year in the

first quarter from April to June -- the best quarterly performance in two-and-one-half years.

But many economists said the showing was probably the best quarterly performance India would see during this financial year. The Reserve Bank of India has forecast growth of 5.5 percent for the current year.

Modi has been seeking to slash red tape, attract global firms to "make in India" and spur the manufacturing sector to create jobs for the army of young people who enter the workforce each year.

The central bank has ruled out any interest rate cuts to propel growth until consumer price inflation, running at 7.8 percent, comes down.

Armenia signs up for Moscow-led economic union

AFP, Minsk

Armenia on Friday officially signed up to a Russian-led economic union, cementing a deal that will see the former Soviet country turn its back on closer ties with Europe.

President Serzh Sarkisian signed the agreement to join the Eurasian Economic Union at a meeting of regional heads of state in the Belarussian capital Minsk.

"We consider the Eurasian Economic Union as the fundamental format for developing the most predictable and profitable relations for our country," Sarkisian told the gathering.

The Caucasus nation of 3 million is now set to join Russia, Belarus and Kazakhstan in the economic bloc.

Standard and Poor's lowers France outlook to 'negative'

AFP, Paris

Ratings agency Standard and Poor's kept its 'AA' rating for France on Friday but lowered its outlook from "stable" to "negative" on fears over the country's budget situation.

S&P estimated France's budget deficit will reach 4.1 percent of gross domestic product for the period of 2014-2017, up from its April forecast of 3.1 percent.

"In our view, the French government's budgetary position is deteriorating in light of France's constrained nominal and real economic growth prospects," Standard and Poor's said in a statement.

"We believe that, due to policy implementation risk related to the budgetary consolidation and structural reforms, a recovery of the French economy could prove elusive and that France's public finances might deteriorate beyond 2014, although this is not our base-case scenario," it added.

French Finance Minister Michel Sapin reacted by saying the country's debt was "one of the surest in the world".

"French debt is one of the surest and most liquid in the world, with debt levels very much contained," he said in a statement.

France's zero-level growth and record high unemployment have seen it dubbed the "sick man of Europe", and Sapin recently announced France would not meet EU borrowing limits for three more years.

EU rules state the public deficit must be below three percent of total economic output but Sapin said this would not happen until 2017. France had previously pledged to bring it back to that level by 2015.



BIAA

KMH Shahidul Haque, president of Bangladesh Indenting Agents Association, and Yang Hui, deputy director general of Department of Commerce of Yunnan Province of China, pose with a trade delegation from Yunnan at a trade promotion meeting at Sonargaon Hotel in Dhaka on Thursday.

Non-banks on the mend

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Over the past six months, the NBFIs' cost of funds has come down by more than 1 percentage point, riding on surplus liquidity in the market and direct deposit collections by some NBFIs, which depended solely for funds on bank borrowing 2-3 years ago.

Half-yearly data shows most of the NBFIs were able to net more profits in comparison to a year ago.

IDLC Finance, Delta Brac Housing, Prime Finance, Phoenix Finance, Bay Leasing, United Leasing, among others, have earned 10 to 30 percent more profits during the January-June period of this year than a year ago.

Industry insiders said their businesses have increased further in the July-September quarter showing a good outlook for the sector.

They declined to share the facts and figures saying these are price sensitive information, which is not yet made public. With regards to default loans, NBFIs are in good health compared to banks.

Between December 31 last year and June 30 this year, NBFIs' default loans increased only 4.69 percent in contrast to banks' 26 percent, central bank data shows. At the end of June, their default loans stood at Tk 1,850 crore.



QATAR AIRWAYS

Qatar Airways received the Best Middle East Airline at the 2014 Business Traveller Asia Pacific Awards held in Hong Kong recently.

Venezuela wants extra Opec meeting to halt oil-price drop

AFP, Caracas

Venezuela will ask for an emergency meeting of Opec countries to try to halt sliding oil prices, Foreign Minister Rafael Ramirez said Friday.

A barrel of Venezuelan crude closed at \$82.72 on Friday, a drop of \$3.17 for the week, one of the lowest levels in the past three years.

"We are going to ask for an extraordinary Opec meeting. We need to try to coordinate some sort of action to stop falling oil prices," Ramirez said at a Caracas news conference.

"I am convinced this is not due to market conditions, but is price manipulation to create economic problems for large oil-producing businesses," added Ramirez, who is the former oil minister and ex-head of the public oil company PDVSA.

This year, Venezuelan crude has averaged \$94.99 per barrel, compared to \$98.08 in 2013 and \$103.42 in 2012.

"It doesn't suit anyone if the price of oil falls below \$100 a barrel," Ramirez said.

The next regular meeting of the Organization of the Petroleum Exporting Countries (Opec) is scheduled for November 27 at the group's Vienna headquarters in Austria.

According to Ramirez, the price drop is due to an overproduction in non-OPEC countries -- a reference to shale oil, of which the United States is the world's top producer.

While it has some of the world's biggest oil reserves, Venezuela only produces 2.4 million barrels a day, which bring in 96 percent of its foreign currency reserves.

The 12 members of Opec, who pump about a third of the world's crude, said Friday that world demand will grow by 1.05 million barrels per day (mbpd) to 91.19 mbpd this year.

For 2015, Opec predicted demand to reach 92.38 mbpd, unchanged from its previous forecast.

Brent oil prices tumbled this week to a four-year low on plentiful crude supplies and on demand fears arising from global economic uncertainty.

Raise labour productivity of bottom half: governor

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"The bottom 40 percent of the population is still in poverty even as the economy keeps growing at gradually increasing pace in stable macroeconomic environment with moderate inflation," he said.

The governor spoke at a discussion on jobs at the World Bank in Washington DC. Over a third of the estimated 2010 labour force of 56.7 million was in the 15-29 year age group. Less than 10 percent of the labour force was in professional, technical or managerial jobs, with the large bulk in low end informal employment or self-employment.

"Their productivity remaining depressed by poverty driven disadvantages in health, education and job training," Rahman said in a statement. In such a context, the central bank governor said inclusive equitable socioeconomic development is the obvious choice of option for job creation and labour productivity.

He said Bangladesh government's private sector-led inclusive development strategy pursues empowerment of the poor with social sector public expenditure outlays in healthcare, education and job training; alongside support initiatives for job creation in agriculture, manufacturing and services. Many of the support initiatives are focused on small and medium enterprises, as these typically create lower-end jobs matching the available lower-end skills in the labour force, at lower capital outlays than possible in large industries. Inadequacy in access to finance is a typical constraint for SMEs even in developed economies; both the government and central bank in Bangladesh are proactive in addressing this constraint, said Rahman.

Hungarian prices drop at fastest rate in 46yrs

AFP, Budapest

Hungary's annual inflation sank to -0.5 percent, the lowest level since 1968, official data showed Friday, mainly due to government-mandated household utility price cuts.

While Hungary is not part of the eurozone, many EU countries have shared in the currency bloc's drop to ultralow inflation that officials worry could turn into a dangerous deflationary spiral.

In the case of Hungary, which just two years ago had the EU's highest inflation rate at 5.6 percent, the drop in prices is mainly due to government measures.

Prime Minister Viktor Orban's right-wing government, elected in 2010 and re-elected last April, has forced utility providers to cut prices.

Government-mandated energy prices -- an essential feature in Prime Minister Orban's policies, often seen as a populist -- have helped push headline price growth to well below the central bank's medium-term target of 3 percent.

"The decline in prices was driven by an annual 12 percent fall in household energy prices and base effects," Borbala Minyary of the national statistics office KSH said on Friday.

Zoltan Reczey, an analyst at Buda-Cash Brokerhouse, was quoted by MTI new agency as saying "the dominant factor in deflation was the effects of the government-mandated energy price cut."

Gergely Gabler, an analyst at Erste Group Research, estimated that inflation could return in December, but until then it will remain in the negative territory, according to MTI.

The fall in prices comes as European Central Bank President Mario Draghi renewed Thursday in Washington his vow that he will combat deflationary forces.

A sustained fall in prices can cause consumers to postpone purchases in the expectation goods will become cheaper, causing a slump in the economy and job losses that is extremely difficult to reverse.

The Hungarian central bank forecasts average inflation of 0.1 percent this year and 2.5 percent for 2015.

With non-eurozone Poland cutting interest rates this week in order counter its flat inflation rate, Hungary's central bank could be pushed into doing so as well although it had indicated it would leave its key rate at 2.1 percent until the end of the year.

Acme to raise capital to start three projects

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"We have added some new products, such as: liquid in hard gelatin product, sachet products, LVP saline and cephalosporin products," Sinha said.

The market share of the company was 8 percent last year when it exported 70 products worth Tk 53 crore to 20 countries.

Acme is now taking steps to start exporting medicine to Europe and Latin America and Africa, he said.

Since its inception in 1954, the company has been working relentlessly with a vision to ensure "health, vigour and happiness for all" and is on a perpetual quest for excellence, he said.

Acme has five kinds of global technologies in its factories, Sinha said.

The net asset value per share of the company is Tk 66.16 and earnings per share Tk 5.65. The company's total asset value stood at around Tk 2,300 crore last year.

The company declared 30 percent cash dividend last year and 20 percent interim cash dividend for the current year.

Pharma exports rose 15.65 percent year-on-year to Tk 553.3 crore in 2013-14 because of the growing global demand, high quality

products and competitive prices.

The pharma market is currently valued at Tk 12,000 crore, which contributes 1 percent to the country's gross domestic product.

"Acme has steady growth and it has long success story. The medicine manufacture is one of the firms which has huge asset base," said Md Fayekuzzaman, managing director of Investment Corporation of Bangladesh.

With its strong export potential, the pharma sector can create new windows of opportunity after the garment sector in Bangladesh, Fayekuzzaman said.

The company, which practises the best corporate governance, has strong research and development department also, he said.

"We are working to make a list of good companies for the sake of the investors."

The sector is now one of the fastest growing sectors in the country, with its average growth rate coming to 17.2 percent over the last five years and 13.1 percent over the last decade.

Acme expects the pharma market size to exceed Tk 15,000 crore by 2015.

ADB to lend \$492m for infrastructure

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"Electricity is a key element to enhance economic growth. So, we want to help the South Asian countries build grid interconnectivity," he added.

Grid interconnectivity will boost power trade among the neighbouring countries.

At present, Bangladesh is importing 500 megawatts of electricity from India through grid interconnectivity, with a process underway to bring in another 600MW, according to the Power Development Board.

The country plans to import 3,500MW from other Saarc members by 2030 under its power sector master plan.

The ADB official also praised the Bangladesh government for opening headquarters of Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (Bimstec) in Dhaka. "It will open up a new horizon for regional cooperation."

The ADB urged the Bangladesh government to focus on simplifying customs procedures to help boost overseas trade.

"Businesses now have to go through cumbersome customs processes to import and export goods," said Rosalind McKenzie, regional cooperation specialist of South Asia Department at the ADB.

"They (the businesses) have to submit a number of documents which are mostly overlapping," she said. "So it has become necessary to streamline customs operations."

Currently, all consignments are inspected at Bangladeshi ports, while global practice, contrarily, is a risk-based system. The ADB also plans to work on customs modernisation and harmonisation, Rosalind said.

The lender has so far financed nine projects worth around \$900 million in Bangladesh under the Sasac programme since 2001, Butiong said.

Since the inception of the programme, Sasac countries have implemented 33 regional projects worth a total of \$6.3 billion in energy, transport, trade facilitation, and information and communications technology sectors, he said.

suman.saha@thedailystar.net

Bangladesh promises better future for next generation: survey

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To address the inequality, 41 percent of the Bangladeshis surveyed said it would be more effective to have high taxes on the wealthy and corporations to encourage investment and economic growth rather than low taxes. Conversely, 40 percent said low tax would help.

Despite the fact that most people are very concerned about the gap between the rich and the poor in their country, majorities across the globe are willing to accept some inequality to have a free market system.

A global median of 66 percent say most people are better off under capitalism, even if some people are rich and some are poor.

Belief in the free market tends to be highest in developing countries (median of 71 percent). Nearly two-thirds or more in all nine of the developing economies surveyed agree that most people benefit from capitalism, including 80 percent of Bangladeshis, 75 percent of Ghanaians and 74 percent of Kenyans.

Bangladesh's economic success has come after the country moved away from a state dependent system to a market driven economic since the early 1990s, Hussain said.

"This has inspired confidence in the ability of markets to increase economic wellbeing. Thus, 80 percent believe Bangladesh will be better off if it continues to rely on free market forces."

Although inequality is seen as a major problem in capitalistic market economies, only 34 percent see it as a major challenge in Bangladesh.

"This is a reflection of the absence of extreme inequality and the relative stability in the distribution of consumption in Bangladesh," the WB economist added.