

# Cement sales poised to rise if political turmoil ends

## The Holcim MD calls for better business environment

SUMAN SAHA

CEMENT consumption in Bangladesh is expected to grow 13-14 percent this year, riding on the development of roads and bridges and small rural housing projects, the managing director of Holcim Cement Bangladesh said yesterday.

"We are confident and positive about the scope of the cement market," said Sumanta Pandit.

But growth will largely depend on the political situation, Pandit told The Daily Star in an interview at the company's office in Dhaka. "Sales will grow if the political situation improves in the coming days."

The Swiss company has already witnessed 'a marginal decline of sales' in its Bangladesh operations due to the nonstop blockade that has disrupted the supply chain, he said.

Like other sectors, the cement industry was also affected in 2013 due to political unrest. "We were looking forward to a great 2015. But unfortunately, the political situation has again taken a negative turn. We only expect that a better situation will prevail."

In 2014, cement consumption grew 12-13 percent, said Pandit, an Indian national, who took up his current assignment in October 2014.

The installed capacity of cement factories in Bangladesh is 33-35 million tonnes a year, while annual demand is 20-21 million tonnes as of 2014.

"Most plants operate at 50 to 60 percent efficiency, which is why we still have scope for cement growth. In spite of all these issues, companies are still staying afloat."

More than 35 to 40 companies are operating actively in the market.

Pandit, 49, has nearly 25 years of experience in the cement industry and worked in different cement companies such as Ambuja, Lafarge, and UltraTech.

Prior to Holcim, he was the country manager for Emirates Cement, a Bangladesh unit of India-based UltraTech Cement.

Holcim is bullish about the multina-



Sumanta Pandit

tional's prospects in the country, thanks to the ongoing high-profile infrastructure projects, which will pave the way for more growth.

"We look at the Bangladesh market with great positivity," he said, adding that the company recently invested Tk 3,000 million to expand its production capacity to two million tonnes a year.

Holcim is also upbeat on being a premium cement supplier to the ongoing Padma bridge project.

"Considering our global and local expertise and experience in large and infrastructural projects, we are expecting the concerned authorities to allow us to participate in the Padma Bridge project, and the other projects centring it."

"We are hopeful and enthusiastic about being a part of the growth process of Bangladesh, and we would like to be an important part of any development in this country, for which we are already in talks with consultants. Hopefully, we will be one of the pre-

mium suppliers for this project," he said.

Holcim has contributed to building some of the longest bridges around the world.

In Bangladesh, the Bangabandhu Multipurpose Bridge and Syed Nazrul Islam Bridge (Bhairab bridge) have been built with Holcim cement, he said.

Pandit said Bangladesh will be able to earn a huge sum of foreign currency from cement exports, especially to north-eastern India, if the government provides export incentives and if bilateral cooperation between India

and Bangladesh is further improved.

Bangladesh exports 40,000-50,000 tonnes of cement a month to the seven-sister market in India. Indian manufacturers are now offering cement at lower rates than Bangladeshi companies due to tax benefits.

Currently, Bangladeshi cement makers cannot compete with Indian manufacturers as there is a price gap of Tk 50-Tk 70 a bag between Indian cement and Bangladeshi cement.

Pandit also called upon the government to arrange low-cost loans for the housing sector in a bid to boost apartment sales.

Bangladeshi banks charge 15-16 percent on home loans at present.

The interest rate on housing loans in Bangladesh is still higher than in the Middle East and India. Currently, Indian banks charge 9-9.25 percent on an average on long-term loans, while it is below 5 percent in the UAE, he said.

Founded in 1912, Holcim has operations in more than 70 countries and is the market leader in cement production in India, Australia, Azerbaijan, Slovakia, Switzerland and Latin America.

Holcim Bangladesh began its journey in September 2000 by acquiring Hyundai Cement Bangladesh. Gradually, Holcim solidified its interest in the country by acquiring two more plants: United Cement Industries at Meghnaghat and Saiham Cement Industries in Mongla. Its Bangladesh operation employs about 600 full-time and temporary employees.

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# Obama proposes \$3.99t budget

REUTERS, Washington

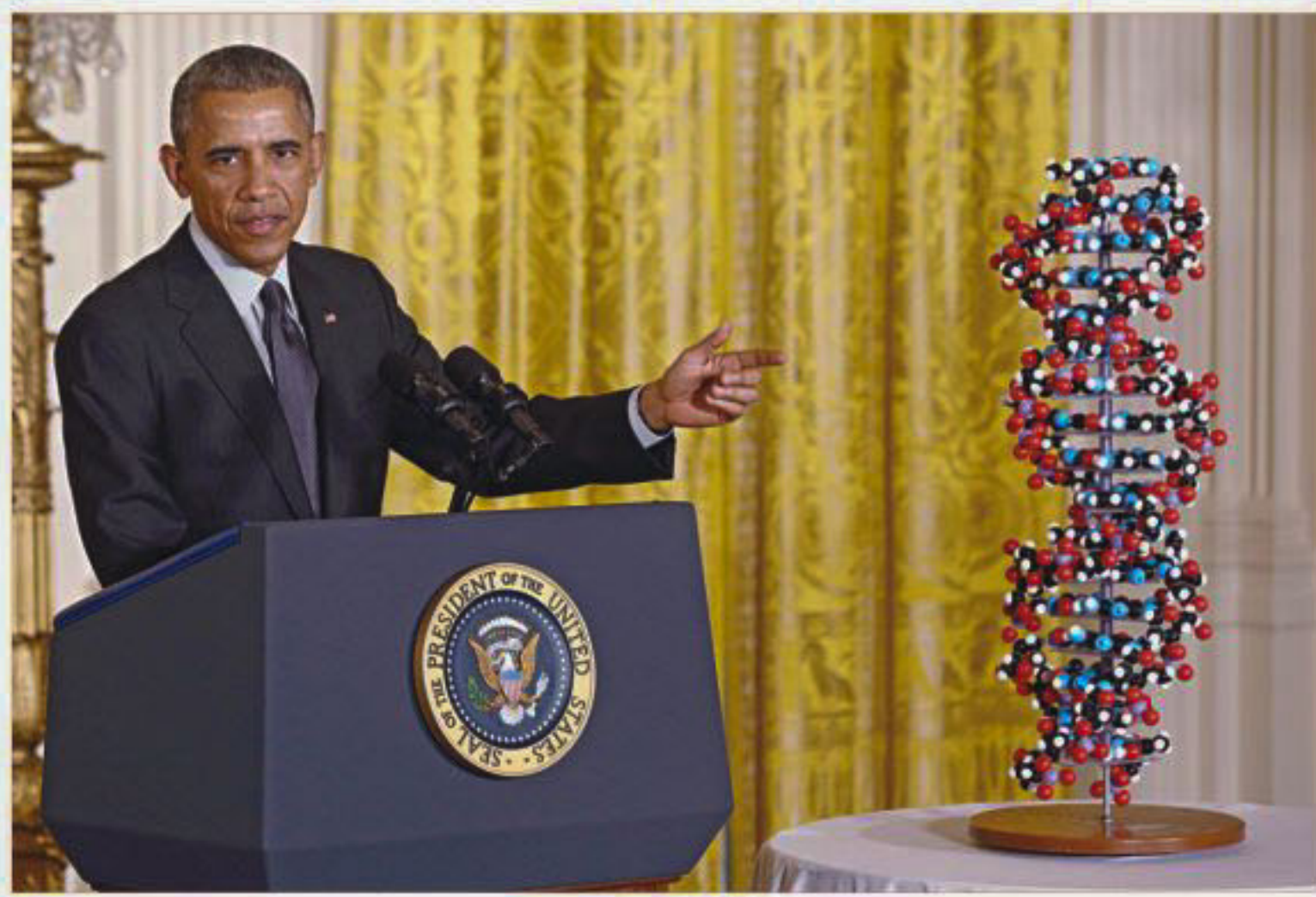
PRESIDENT Barack Obama on Monday proposed a \$3.99 trillion budget for fiscal year 2016 that sets up a battle with Republicans over programs to boost the middle class that are funded by higher taxes on corporations and wealthy Americans.

The budget foresees a \$474 billion deficit, which is 2.5 percent of US gross domestic product. It projects deficits stabilizing at that rate over a 10-year period, senior administration officials said.

Obama's budget fleshes out proposals from his State of the Union address and helps highlight Democratic priorities for the last quarter of his presidency and the beginning of the 2016 presidential campaign.

But it is as much a political document as a fiscal road map and would require approval from the Republican-controlled Congress to go into effect.

"Our hope is that by laying out ... a clear economic vision centered around the middle class and economic growth, that we'll be able to have a productive conversation (with Republicans) and make progress over the course of the year," an administration offi-



REUTERS

US President Barack Obama makes remarks highlighting investments to improve health and treat disease through precision medicine while in the East Room of the White House in Washington on January 30.

cial said on Sunday, previewing the budget's release.

Republicans have said they see room for compromise in areas such as tax reform and infrastructure, but many of Obama's programs, which were rolled out in the weeks before the budget's release, have landed with a thud.

"When ... he devotes his time and energy to talking about the new tax-and-spend policies that progressives like and Republicans universally

oppose, he signals to Congress that he is once again looking to argue rather than to legislate," said Keith Hennessey, a former economic adviser to Republican President George W. Bush.

Democrats, however, viewed the budget as a statement of their priorities and a chance to demonstrate they represent the party that champions middle-income Americans.

"(It) affords him an opportunity to contrast his vision of

helping the middle class with the Republican Congress' approach of exacerbating inequality, ignoring the middle class and making the burdens of those who want to enter it even greater," said Neera Tanden, president of the Center for American Progress, which has close ties to the White House. **INFRASTRUCTURE, TAX REFORM**

The budget achieves some \$1.8 trillion in deficit reduction over the next 10 years, officials said, through healthcare, tax and immigration reform, but the forecast assumes Republican support for Obama's programs, which is unlikely.

Republicans have blocked immigration reform legislation in the House of Representatives, for example, and the budget assumes passage of such a bill.

The administration foresees a continuation of the decline in unemployment, forecasting a rate of 5.4 percent in 2015. The rate currently stands at 5.6 percent.

It also proposes a new infrastructure bank, a 6 percent increase in research and development, and a controversial consolidation of US government agencies. Obama has previously proposed combining trade agencies, but the proposal fizzled.

# HSBC: China manufacturing shrank again in Jan



REUTERS/FILE

A girl reads a book on her balcony as smoke rises from chimneys of a steel plant in Quzhou, Zhejiang province, on April 3, 2014.

AFP, Beijing

CHINESE factory activity contracted in January for a second straight month, a closely watched private survey showed Monday, a day after the government announced the first official decline in the sector in more than two years.

British banking giant HSBC said its final purchasing managers' index (PMI) reading for January edged up to 49.7, from 49.6 in December.

But the result still showed shrinkage in the manufacturing sector of the world's second-largest economy, a key driver of global growth. PMI readings below 50 point to contraction and anything above suggests growth.

The final number was also slightly worse than the preliminary reading of 49.8, HSBC said.

The index, compiled by information services provider Markit, tracks activity in China's factories and workshops and is a closely watched indicator of the health of the Asian economic giant.

The figure came after an official Chinese survey on Sunday showed manufacturing activity contracting for the first time in more than two years.

China's official PMI for January, released by the National Bureau of Statistics, came in at 49.8 last month, down from 50.1 in December. That was the first official contraction reading for 27 months.

"We think demand in the manufacturing sector remains weak and more aggressive monetary and fiscal easing measures will be needed to prevent another sharp slowdown in growth," Qu Hongbin, HSBC chief economist for China, said in the release announcing the bank's figure.

Manufacturing output expanded slightly in January for the first time in three months, HSBC said. While weak demand weighed on growth in new orders both domestically and overseas, the bank described the situation as having "broadly stabilised".

Factory employment also fell for the 15th straight month, HSBC added, though the pace of decline was the slowest in the same period. "While the PMI readings for January are less downbeat on conditions among small firms, they suggest that momentum has continued to deteriorate among larger firms on the back of softening external demand," Julian Evans-Pritchard, China economist at Capital Economics, wrote in a report.

While growth in the United States, the world's largest economy, has been a relative bright spot -- gross domestic product (GDP) grew 2.4 percent in 2014 for its best result in four years -- other key regions such as Europe and Japan have lagged.

The 18 eurozone economies expanded by a mere 0.2 percent in the July-September quarter of last year -- the latest figures available.

# India factory output drops to 3-month low in January

AFP, Mumbai

INDIAN factory output eased in January to a three-month low as new business slowed down, a key survey showed Monday, suggesting more steps are needed from the government to boost growth.

Banking giant HSBC said that its purchasing managers index (PMI) fell to 52.9 points in January, down from a two-year high of 54.5 the previous month.

In the survey, which is seen as a harbinger of industrial expansion and economic health, a reading of more than 50 points suggests expansion while anything below indicates contraction.

"The slip can partly be attributed to consolidation after two months of impressive upticks. New orders, both from domestic and international sources, also continued to grow, though at a slower pace than in December," said HSBC chief India economist Pranjul Bhandari.



AFP

Afghan blacksmiths work in a shop in Herat yesterday. Afghanistan's economy has improved significantly since the fall of the Taliban regime in 2001 largely because of the infusion of international assistance. Despite significant improvement in the last decade, the country is still extremely poor and remains highly dependent on foreign aid.