

Excessive bank borrowing to shrink private credit flow

FBCCI says in reaction to proposed budget

STAR BUSINESS REPORT

The country's apex trade body has termed the proposed budget industry-friendly, but expressed fear that the government's excessive borrowing from the banking system may shrink credit flow to the private sector.

To plug budget deficit, the government plans to borrow Tk 56,523 crore from domestic sources next fiscal year, of which Tk 38,523 crore may come from banks.

"This dependence on the banking system may put a negative impact on the private sector credit flow," said Abdul Matlub Ahmad, president of the Federation of Bangladesh Chambers of Commerce and Industry.

On the other hand, he said, if the government fails to address deficit financing properly, development activities will be hampered.

"We think the government will have to deal with the issue competently," Ahmad told a post-budget press conference at the FBCCI office in Dhaka yesterday.

He said the country's economic growth has been hovering around 6 percent for the last few years. "Investment should be increased to raise the economic growth rate to 7 percent," he said.

Given the private sector's huge contribution to gross domestic product, bank interest rate for them should be lowered, he said.

"Industrialisation will accelerate only if loans are given at a single-digit interest rate," he said.

The FBCCI president said the government revises the budget every year due to a mismatch between funding and expenditure.

The government should strengthen its monitoring so it can start implementing the budget from the very beginning of the fiscal year, he said.

Referring to the proposed hike in tax-at-source on exports to 1 percent, he said it is true that the export-oriented industries, especially the apparel sector, have been enjoying various tax benefits for years.

"But still it's too early to increase

the tax rate and I think the government can continue the existing facility for another 2-3 years," he said.

It will be difficult for garment makers to achieve the \$50-billion export target by 2021 due to the hike in tax, he said.

He also said there should not be any supplementary duty on the services such as mobile phone that the masses use.

Matlub said the government proposed to reduce taxes and duties in many cases to encourage the local industries. But there are some proposals for increasing taxes and duties in other cases too that may hurt the related industries, he said.

"We will work with our associations and chambers on the issues for the next 10 days and submit a set of recommendations to the government to incorporate those in the budget," he said.

FBCCI First Vice-president Shafiqul Islam Mohiuddin said the implementation of the new pay scale for government employees from this July may stoke inflation.

Canada jobless rate flat in May

AFP, Ottawa

Canada's unemployment rate remained flat at 6.8 percent in May as a gain of 59,000 new jobs was offset by a jump in job seekers, the government statistics agency said Friday.

The economic indicator, which has remained unchanged for four consecutive months, is in line with what analysts were expecting.

However, the number of jobs created was nearly sixfold higher.

According to Statistics Canada, most of the new jobs went to men.

Employment increased in Ontario, British Columbia and Nova Scotia provinces, while it declined in Newfoundland, Manitoba and New Brunswick, the agency said.

The number of private sector employees increased by 57,000 in May, while there was little change in self-employment.



Ali Reza Iftekhhar, managing director of Eastern Bank, opens one of the two ATM booths of the bank at Rajanigandha Super Market and Post Office area in Dhaka Cantonment on Thursday. Nazeem A Choudhury, head of consumer banking, and Md Abdus Salam, head of administration and security, were also present.

Switzerland plans to drop tax privileges for holding companies

REUTERS, Zurich

The Swiss government said on Friday it is doing away with a frequently criticized privileged tax status for holding companies based in Switzerland, which will lead to a billion-franc shortfall in annual tax revenue.

"While these arrangements made a valuable contribution to the business location's appeal in the past, they are no longer compatible with the international standards, which is proving to be a growing disadvantage for companies

engaged in cross-border activities," the Swiss government said in a statement.

For years, the European Union has taken issue with some of the Alpine nation's corporate tax policies, notably how its separate cantons, or states, charge less tax on foreign-earned income than on income earned in Switzerland.

Switzerland's proposal to drop the privileges comes one year after it agreed with the EU to scrap long-cherished rules on corporate tax.



Choon Soo Moon, managing director of Samsung Electronics, and Syedis Saklayen, chief executive officer of Excel Telecom, pose at a programme at Radisson Blu hotel in Dhaka recently. Excel Telecom is now the distribution partner of Samsung Mobile.



Tahsan Khan, an actor, and Onishi Suhei, acting chief operating officer of Grameen Uniqlo, sign an agreement for the actor to become 'celebrity partner' of the company for a year, at a ceremony at The Daily Star Centre in the capital on Friday.

France 'must continue to reform': PM

AFP, Poitiers, France

French Prime Minister Manuel Valls promised on Saturday there would be "no let-up" in the government's reform agenda and reiterated a pledge to bring down stubbornly high unemployment.

Addressing a Socialist Party congress in the western city of Poitiers, Valls said: "We must continue to reform. There will be no let-up... We will succeed!"

France has been accused of dragging its heels on the kind of structural reforms undertaken by other ailing eurozone economies.

The continuing rise in unemployment -- a year and a half after an end-2013 deadline President Francois Hollande set himself to make it taper off -- is seen as the biggest blight on the government's copy so far.

In April, the number of jobless rose to a new record high of 3.53 million, 600,000 more than when Hollande took office three years ago.

The crusading Valls, whom polls show as being the preferred candidate of the French to represent the Socialists in the next presidential election in 2017, assured the government would turn the corner on jobs. "It's the president's commitment. And we will stick to it," he promised.

The usually pro-business premier took employers to task over the situation, suggesting they were failing to uphold their end of a landmark tax cuts-for-jobs pact.

The Modi effect

FROM PAGE B1

The Group saw its market value rise by nearly 50,000 crore rupee, with shares prices of Adani Enterprises reaching an all-time high in May.

Adani, despite all the criticism leveled against him, has a track record of executing projects within time, without any cost overrun, the Bloomberg report quoted an investment strategist as saying.

Although Indian media reported that Mukesh Ambani has fallen out with Modi, his younger brother Anil Ambani, who is the chairman of Reliance Power, is being promoted by the current Indian government.

He accompanied Modi to recent trips in France where Anil was eyeing on certain defence deals facilitated by the government in name of 'Make in India'.

In October last year, Anil was even one of the nine people Modi nominated from across India to take a broom and sweep the ground at the Church Gate Station in Mumbai along with him under the prime minister's Clean India campaign.

Two years ago, a top business leader, who has strong business connection with India, told a group of reporters that he has been for years trying hard to court top business groups from the neighbouring countries to invest here. But after the changeover in India, everything seems to have changed.

Local businesspeople and industrialists also looked at the deals on a positive note.

"The deals will give confidence to foreign investors to invest in power and infrastructure related projects in Bangladesh, which is essential to reach our desired growth trajectory," said Asif Ibrahim, vice chairman of Newage Group of Industries.

He however added: "There is also a need for preferential market access of Bangladeshi products into Indian market, particularly our core export items to address the growing trade deficit between the two countries."

Bandwidth export to India may begin in Sept

FROM PAGE B1

The state-owned company will get the payment in advance at the beginning of every quarter, said its Managing Director Monwar Hossain.

Hossain and Anupam Shrivastava, chairman and managing director of Bharat Sanchar Nigam Ltd or BSNL, inked the deal at a programme at Prime Minister Sheikh Hasina's official residence, Gono Bhaban, in the capital.

The deal is initially signed for a year and can be extended for two more years, Hossain said.

On May 12 last year, both the sides signed a memorandum of understanding in Dhaka, after a two-year discussion.

BSNL's initial plan was to take tele-transit. It wanted to use Bangladesh's network infrastructure to facilitate telecommunication between Kolkata and Agartala.

But BSCCL disagreed and offered the Indian company the bandwidth.

"The bandwidth price will be reviewed after a year."

According to the deal approved by the cabinet in April this year, a link needs to be established through Akhaura under Brahmanbaria district to Agartala, the capital of Tripura.

The Bangladeshi company has connectivity up to Akhaura, but the link may not have the capacity to carry the huge volume of bandwidth, he said.

So, the required connectivity should be established before the export begins, he said.

He expects India will take 40 gbps of bandwidth in the next six months, which may reach 100 gbps with the establishment of connection between Bangladesh and the second submarine consortium—SEA-ME-WE-5—by 2016.

Bangladesh got connected with SEA-ME-WE-4 in 2006 at a cost of \$63 million; BSCCL earned the amount back in three years, and whatever they are earning now is their profit, he said.

BSCCL has already selected two other points to establish links with Shillong and Assam, Hossain said.

The country consumes more than 100 gbps now, of which 33 gbps come from BSCCL, which has a capacity of 200 gbps.

The rest of the demand is met by import from the western part of India, mainly Mumbai, by six international terrestrial cable companies.

BSCCL has plans to export bandwidth to Italy and other countries also.

German economy shifts into higher gear

AFP, Frankfurt

The German economy, Europe's biggest, has slipped into higher gear powered by low unemployment, higher wages and the weak euro, the German central bank, or Bundesbank, said on Friday.

After notching up growth of 1.6 percent last year, Germany would see gross domestic product (GDP) expand by 1.7 percent in 2015, 1.8 percent in 2016 and 1.5 percent in 2017, the Bundesbank said in its latest monthly report.

That marked an "appreciable" upgrade from the central bank's previous economic projections in December, when it had pencilled in growth of 1.0 percent for this year and 1.6 percent for next year.

With those growth rates, "the German economy would expand at a faster pace than potential output at an annual rate of 1.2 percent," the Bundesbank wrote.

"Compared with the December projection, GDP growth expectations for 2015 and 2016 have been raised appreciably by 0.7 and 0.2 percentage point, respectively," it said.

The German economy effectively ground to a halt in the middle of last year, but picked up again at year's end to show growth of 0.7 percent in the final quarter

and expansion of 0.3 percent in the first three months of this year.

"The German economy has recovered from the lull in mid-2014 more quickly than expected and has returned to a path of growth that is supported by both internal and external demand," the Bundesbank said.

On the side of domestic demand, the economy was "reaping the benefits of the favourable labour market situation and substantial income growth," the report said. This was boosting private consumption and housing construction.

While foreign business was currently burdened by "dampening effects emanating from the global economy ... this is balanced out by the depreciation of the euro and the improving economic recovery in the euro area," it continued. "Moreover, the global economy is likely to pick up steam again in the near future," the Bundesbank added.

The bright outlook for Germany was reflected in positive sentiment, it continued. "Enterprises still consider their situation to be exceptionally good," it said.

According to the survey published by the German Chamber of Commerce and Industry (DIHK)

in the early summer, nine out of 10 firms were "at least content" with their situation.

Other leading sentiment surveys, such as Ifo and the Centre for European Economic Research, painted a similar picture.

"Firms are also looking to the future with a fair amount of confidence. That said, their sense of optimism is not as pronounced as it was at the beginning of last year," the Bundesbank cautioned.

Concrete data are coming in better than expected.

Earlier, the economy ministry in Berlin said that factory orders -- a key measure of demand for German-made goods -- beat analysts' expectations in April, rising by 1.4 percent month-on-month.

Despite a dent in domestic orders, "the overall trend remains upwards. Additional impulses can be expected from the recovering economy in the euro area," the ministry said. Economists were cautiously optimistic.

"For now, the data are only signalling a stabilisation of industrial production. Order intake needs to continue rising in the coming months if production and thus GDP is to grow more strongly again in the second quarter," said Commerzbank economist Ralph Solveen.

Two economic zones for India

FROM PAGE B1

"As there will be no uncertainty regarding funds, we expect the zones can be developed in three years."

The government will provide land to establish the zones, which can be set up by leasing it out or through equity participation, he said, adding the details will be finalised based on discussion.

"I will prefer equity participation of BEZA in the management of the zones. However, I will have no objection if Indian developers want to develop the

zones themselves."

Chowdhury expects the majority of investors in the two economic zones to be from India.

Bilateral trade between Bangladesh and India currently stands upwards of \$6 billion, with the balance heavily in favour of New Delhi.

The government has so far approved 30 public and private economic zones in different parts of the country. Of them, the implementation of Sirajganj, Mongla, Mirsarai, Anwara and Sirihatta economic zones is progressing well.



Mohammed Nurur Newaz Salim, chairman of Electro Mart, inaugurates the company's outlet on Old Airport Road, Dhaka on Thursday. Md Nurul Amin, managing director, was also present.

India to give \$2b in low-cost loans

FROM PAGE B1

The projects, which will go some way towards making up Bangladesh's infrastructure deficit, will take more than five years to be completed and bear fruits by way of smooth transit facilities to India.

Until then, India is looking to use the Chittagong port and Ashuganj land port to transport goods to its landlocked seven sister states from its other parts.

Two other documents were signed yesterday by the two sides in this regard: the protocol on inland water transit and trade and the agreement to use the Chittagong and Mongla ports.

Modi said connectivity is the catalyst for deeper engagement. Connectivity by road, rail, rivers, sea, transmission lines, petroleum pipelines and digital links will increase in future. "Today, we have unveiled some of the pathways to this future."