

Singapore bank to offer \$500m for Asia start-ups

AFP, Singapore

Singapore's United Overseas Bank said Tuesday it will partner with state-linked investment firm Temasek Holdings to provide up to \$500 million in venture debt financing to start-ups in China, India and Southeast Asia.

The partnership will lend to "high-growth, innovative start-up companies in sectors such as technology, consumer, healthcare and clean technology" over the next five years, UOB said in a statement.

Venture debt is a type of financing for start-up firms which may not yet have the cash flow or assets to use as collateral for loans. It is an alternative to bank loans or raising capital by selling stocks to investors.

Under the agreement, UOB will acquire 50 percent of wholly-owned Temasek subsidiary Innoven Capital, the biggest provider of venture debt in India, with plans for the joint venture to establish subsidiaries in Singapore and China within months.

"Venture debt is important as it enables more of Asia's best start-ups to develop into world-class companies," said Eric Tham, managing director and head of

commercial banking for the UOB Group.

"We can see this in China and India which have vibrant start-up ecosystems, while Singapore is establishing itself as the start-up hub of Southeast Asia."

Business consultancy Ernst & Young estimates the potential market size for venture debt in Singapore, China and India at \$2.2 billion.

"This new pan-Asian venture debt financing initiative will seek the next generation of leading companies, providing the support they need to scale and succeed," said Ong Beng Teck, managing director, enterprise development group at Temasek.

UOB is one of Singapore's three major home-grown banks.

Temasek, one of the world's biggest state-linked investment firms, said this month its global portfolio reached a record Sg\$266 billion (\$194 billion) in the year to March, driven by rise in global equities.

It said its net profit rose to Sg\$14.5 billion from Sg\$10.9 billion the year before. Its holdings include top global brands such as banking firm Standard Chartered, Singapore Airlines and Spanish energy giant Repsol.

China's FDI up 8pc in Jan-Jun on M&A

AFP, Beijing

Foreign investment into China rose 8.0 percent in the first half of this year as mergers and acquisitions by overseas companies more than quadrupled in value, the commerce ministry said Tuesday.

Foreign direct investment (FDI), which excludes financial sectors, totalled \$68.41 billion in January-June, the ministry said. "Both the proportion and the transaction value of foreign mergers and acquisitions increased sharply," it said in a statement.

It gave the value of M&A activity at \$13.19 billion, a gain of 336.5 percent from the same period last year, while its proportion of total FDI ballooned from 4.8 percent to 19.3 percent.

"With the increase of China's land prices and other costs, many companies are now investing in the country in the form of mergers and acquisitions," said Shen Danyang, ministry spokesman.

Shen did not provide details on any individual deals in China.

In June alone, FDI growth slowed sharply to 1.1 percent, after a 7.8 percent year-on-year rise in May.

The ministry also said overseas direct investment (ODI) from China rose 29.2

percent to \$56.0 billion in January to June. It did not provide data for June alone.

China drew a total of \$119.6 billion of FDI in 2014, up 1.7 percent, while ODI was up 14.1 percent at \$102.9 billion, passing the \$100 billion mark for the first time as Chinese companies eye opportunities abroad as domestic growth slows.

The world's second-biggest economy expanded 7.4 percent last year, the weakest pace since 1990, and slowed further to 7.0 percent in each of the first two quarters this year.

In the January-June period, investment from the 28-member European Union (EU) into China rose 13.7 percent to \$4.08 billion, the ministry said.

Investment from France, which is included in the EU total, rose 46.9 percent to \$660 million. From Japan, with which China is in disputes over territory and wartime history, it fell 16.3 percent to \$2.01 billion.

And it fell sharply from the United States, dropping 37.6 percent to \$1.09 billion, the figures showed.

Hong Kong is by far the biggest investor in China, accounting for \$50.69 billion of the six-month total. It showed a gain of 15.6 percent during the period.

New DMD for United Commercial Bank

STAR BUSINESS DESK

Md Abdul Jabbar Chowdhury has joined United Commercial Bank as its deputy managing director, the bank said in a statement.

Prior to joining UCB, he served as deputy managing director of Shahjalal Islami Bank.

Chowdhury started his banking career with Janata Bank in 1980, and served in various positions including branch manager, corporate branch chief and regional chief. He has experience in general banking, foreign trade, credit, general services, public relations, accounts, and finance and recovery.

Chowdhury, who also worked for Mutual Trust Bank, holds a post-graduate degree from the University of Chittagong.



MERS, drought stifled S Korea growth in second quarter

AFP, Seoul

South Korea's economic growth in the three months to June will be "much lower" than the previous quarter due to drought and an outbreak of the MERS virus, Finance Minister Choi Kyung-Hwan said Tuesday.

Domestic demand had been gradually recovering this year, backed by the government's expansionary policies and efforts to bolster the real estate market, Choi told reporters.

"However the recovery was dampened by the outbreak of MERS and drought," he said.

Congestion hits Ctg port

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Usually a container vessel needs to stay at the port for a maximum of three days; getting permission takes a day, while goods can be loaded or unloaded within two days.

The average stay time has increased up to 12 days, while ship liners allege that it costs at least \$10,000 a day when a ship overstays.

Due to overstay, the export goods to be carried by feeder vessels to different ports in Singapore, Malaysia and Sri Lanka could miss the connecting vessels to European countries, said Sarwar. Ten vessels have been waiting at the outer anchorage for the last five to six days, while only one got permission to berth on July 20.

Productivity in container handling went down by 60 to 70 percent for the rains, as most equipment went out of order and needed repairs.

Golam Sarwar, director of the traffic department of Chittagong Port Authority, said the congestion was mainly because of the extra rush in gearless container vessels that have no cranes on them. The port only has two jetties equipped with gantry cranes, to berth such gearless vessels and at that time, other vessels need to wait at sea, he added.

Officials hope congestion will ease after the Eid-ul-Fitr when port activity will resume in full swing.

Govt to seek more time for reforms tied to IMF loan

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The other condition was that the government would assign a vendor to implement the tax automation system, which may be approved by the cabinet committee on purchase today. The finance minister wants the ECF programme to end successfully, as it would enhance the country's image abroad in various ways, said the official.

After the programme ends, the government would send a proposal next year for another loan programme, Muhith told The Daily Star.

Approved in April 2012, the ECF programme has enforced a series of major reforms in the economic sector.

One of them was the amendment to the Banking Companies Act to heighten the power of the central bank.

The IMF did a mid-term review in 2013 and found that the reforms increased foreign currency reserves, decreased non-food inflation, raised tax revenue and curbed poorly-targeted energy subsidies. Bangladesh achieved economic growth of above 6 percent during the period.

The official said the IMF programme played a positive role in maintaining macroeconomic stability.

Mobile bills pay on the rise

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The third largest operator Robi recently got the rights to collect PDB bills for Rajshahi, Comilla, Mymensingh, Sylhet and Rangpur regions, and collected bills from around 3.70 lakh households there in just a month.

Customers can pay their bills from their own devices or can use operators' cash points, Robi officials said.

Banglalink launched its bill pay services in 2009, collecting bills for PDB, Desco, West Zone Power Distribution Company, Chittagong Wasa and two WiMax operators -- Quebe and Olo.

Citycell, the oldest operator, collects Desco and DPDC bills and will soon offer bill payments for Dhaka Wasa.

State-owned operator Teletalk also has bill payment services for Bangladesh Rural Electrification Board.



MOHAMMAD ISMAIL, CHAIRMAN OF BANGLADESH KRISHI BANK, AND MA YOUSOOF, MANAGING DIRECTOR, ATTEND THE BANK'S REVIEW MEETING HELD AT THE BANK'S HEAD OFFICE IN DHAKA ON MONDAY.

Eurostar reports record traffic and increased sales in second quarter

AFP, Paris

Eurostar on Tuesday reported record passenger traffic and 1.5 percent higher sales on its trains operating between the UK and the continent during the second quarter of 2015.

The 2.8 million customers during the period from April through June was "the largest number of passengers ever carried on Eurostar in one quarter," the company said in a statement, adding that the number of business travellers rose by 10 percent.

Over all, Eurostar ticket sales increased 1.5 percent compared to the same period last year to £232 million (334 million euros), contributing to a two percent rise for the full first semester of 2015.

The company said sales had dipped by two percent in the first quarter due to the impact of jihadist attacks in Paris and closure of the Eurotunnel due to a fire.

Traffic on the network linking cities including London, Paris, Brussels and Lille was bolstered in the second quarter by more than 88,000 tickets sold on a new route launched in May between the UK capital and Lyon, Avignon and Marseille.

Seeking to accommodate and fuel continued passenger growth, Eurostar is preparing to add a new line of e320 trains with remodelled interiors and increased seating capacity by the end of the year.

"With demand for our services at an all-time high we are looking forward to the arrival of our new trains," said Eurostar CEO Nicolas Petrovic.

France promises 'emergency' plan to help livestock farmers

REUTERS, Paris

French President Francois Hollande on Tuesday promised measures to help livestock and dairy farmers, who have been protesting for weeks over what they say is a squeeze on their profits by retailers and food processors.

Since the weekend tractors have blocked roads in Normandy, including the route to Mont Saint-Michel, a famous tourist site.

Farmers on Tuesday also blocked a popular grotto in Montignac in southwest France.

The spreading protest prompted Agriculture Minister Stephane Le Foll to agree to meet farmers in Caen, Normandy, later on Tuesday. Farmers had been insisting on a visit from Le Foll, rather than a meeting in Paris he had proposed, as a condition for any lifting of their blockades.

They accuse food companies and supermarkets of not respecting a deal signed last month in which they agreed to raise prices paid to farmers.

"Tomorrow's cabinet will take decisions. Beyond the issue of distribution and prices, I have asked that there should be an emergency plan for French livestock and dairy producers," Hollande told reporters in Paris.

He gave no details other than to say there would be "structural measures".

French farmers face a number of challenges, from Russia's embargo on EU food imports to slowing Chinese demand and cheap competition from other EU countries, denting profit margins that are also being squeezed by supermarkets' pricing power.

A government-commissioned report looking into pricing problems in the meat industry is now due on Tuesday rather than Wednesday as originally planned.

Le Foll rejected suggestions that France's livestock sector needed to consolidate to create larger industrial-sized plants to compete better with products from other countries.

"I do not believe in that model," he said.

Improving the livelihoods of France's often very vocal livestock farmers is a major policy of Hollande's government.

France championed the industry as a priority in a reform of the EU's Common Agricultural Policy for the 2014-2020 period, steering some EU subsidies away from larger crop-based farms.

US banks prepare for oil and gas company loans to worsen

REUTERS, New York

US banks are setting aside more money to cover bad loans to energy companies after oil prices plunged over the last year, raising the possibility that deteriorating loans could start to weigh on their earnings, some analysts said.

Loan credit quality for US banks has been improving since the financial crisis. In the first quarter, 2.49 percent of loans on banks' books were delinquent, the lowest level since the fourth quarter of 2007, according to the Federal Reserve, which hasn't released second quarter data. The rate peaked at 7.4 percent in the first quarter of 2010.

Weakness among energy company loans could be a sign that overall credit quality among US banks has little room to improve, analysts said. Executives from both JPMorgan Chase & Co and Wells Fargo & Co told investors last week, when posting earnings, that they were increasingly concerned about loans to oil and gas companies.

Texas bank Comerica Inc on Friday set aside about three times as much money to cover bad loans as analysts had expected, sending the regional bank's shares lower by more than 6 percent after the bank reported earnings Friday. Setting aside more money, known as "provisioning," hurts earnings.

"The banks really have very low credit costs and those can go higher," said Fred Cannon, who heads research at Keefe Bruyette & Woods.

While "energy overall is not a life threatening issue for the banks, it is earnings threatening," he said.

JPMorgan said on Tuesday it provisioned another \$252 million to cover potentially bad wholesale business loans in the quarter, with \$140 million of that related to oil and gas lending.

Oil prices rallied in March and April, but in recent weeks have fallen again on expectations that loosened sanctions against Iran create the potential for greater supplies. US crude oil prices fell below \$50 a barrel on Monday for the first time since April.

US accounting rules require that banks set aside money to cover losses on loans only after the loan has shown visible signs of deteriorating, such as a borrower having missed an interest payment. The rules are subject to wide interpretation, however, so that such things as weaker oil and gas prices could potentially prompt some borrowers to increase their provisions.

The hit to earnings from banks' higher provisioning could pour cold water on shares of a sector that has been on fire recently. Since the end of January, US bank stocks have risen 18.7 percent, compared with a 6.6 percent gain for the broader Standard & Poor's 500 index.

Much of that optimism has come from investors preparing for the Federal Reserve to raise interest rates, boosting the rates at which banks can lend and therefore their profits.

Bank profits have been essentially stagnant in recent years, thanks to low

rates and tepid economic growth.

JPMorgan CFO Marianne Lake said the bank "might expect" to add more reserves before this year is out. "It is possible we will be selectively downgrading some clients," she said. She described the increases in reserves as "completely normal" in the business cycle. "We are still very happy," Lake said.

CEO Jamie Dimon, interjecting as Lake spoke, said, "Those reserves do not mean we're going to have losses."

To be sure, credit quality is still good. Wells Fargo said that for its overall loan book, the balance of loans on which borrowers had stopped making interest payments declined \$67 million in the second quarter, even though delinquencies rose among energy sector companies. Residential mortgage loans are performing better.

CFO John Shrewsbury predicted energy-related credit performance will remain weak.

"We're still resolving these issues," he said on a conference call with investors on Tuesday. "Some of them are just coming to light for certain borrowers, but it's a very contained portion of our loan portfolio and the aggregate impact should not be material to Wells Fargo."

Energy exposure accounts for just 2 percent of Wells Fargo's loan portfolio. However, as KBW's Cannon said, the total money the bank has provisioned for bad loans over time is even smaller—just about 1.2 percent. A Wells Fargo spokesman declined to comment.



SHAIKH ABDUL AZIZ, MANAGING DIRECTOR OF UTTARA BANK, ATTENDS THE INAUGURAL OF THE BANK'S THIRD ZONAL HEADS' CONFERENCE FOR THE YEAR AT ITS HEAD OFFICE IN DHAKA RECENTLY. DEPUTY MANAGING DIRECTORS MD FAZLUR RAHMAN, MOHAMMED MOSHARAF HOSSAIN AND MOHAMMED RABIUL HOSSAIN WERE ALSO PRESENT.

Philippines passes new laws to boost competition in shipping sector

AFP, Manila

Philippine President Benigno Aquino on Tuesday signed off on legislation to open up the shipping sector and encourage more competition in the cloistered industry.

A new statute will provide greater access for international firms to the Philippines' shipping routes, replacing a 79-year-old law put in place to protect local firms.

"The old law was apparently meant to encourage the development of the domestic shipping industry, to encourage them to compete. The problem was our fleet hardly grew," Aquino said at a signing ceremony.

the entire market was controlled by a few."

Despite the shipping sector's vast potential in the archipelago nation, the industry accounted for a measly 0.23 percent of the Philippines' gross domestic product in 2013, according to a government study.

During the ceremony, Aquino claimed that the lack of competition had made shipping cargo across the Philippines with domestic companies more expensive than exporting goods with foreign carriers to nearby countries.

In accordance with the new law, foreign-flagged vessels will be allowed to ship imported goods and transport Philippine-made exports within the country.

Car sellers getting back on feet

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It may be that those who wanted to buy cars marking the festival have already bought them prior to the budget to avert the risks of higher costs, Chowdhury said.

Md Omer Khaled Sadi, a banker, is one of such buyers. Sadi bought a Toyota Premio at the end of May to replace his Toyota Fielder.

Eid is an occasion to buy, but the national budget was the main factor, he said.

"For me, the purchase in May served both the purposes. I saw many others looking for their favourite models and brands on the day I bought the car," he added.

Chowdhury said the market is recovering gradually.

"The economy is heading toward stability. We expect the market will be good in the current year," said Barvida President Md Abdul Hamid Sharif.