

Export more to India to reduce trade gap: Saran

STAR BUSINESS REPORT

Bangladeshi businesses should export more to the Indian market of 1.2 billion people to narrow the huge bilateral trade gap between the countries, Indian High Commissioner Pankaj Saran said yesterday.

Bangladeshi company Pran has shown that India could be a big market for Bangladeshi businessmen as the food processing company has been performing very well in the Indian market, he said.

"Pran plans to open office in every state of India to do more business," Saran said.

He spoke at the regular luncheon meeting of Foreign Investors' Chamber of Commerce and Industry (Ficci) at the Westin hotel in Dhaka. Ficci President Rupali Chowdhury moderated the function.

"Both India and Bangladesh have common economic space. When we look at common eco-

nomics space, it is a common market, common economic opportunity and common pool of resources."

The chamber invited Saran to speak about the outcomes of the Bangladesh visit of Indian Prime Minister Narendra Modi in June when 22 different agreements were signed between the two countries.

Most of the deals were related to connectivity, motor vehicles, coastal shipping line and transit to reduce the cost of bilateral trade, he said.

Bangladesh is a market of 160 million people, whereas India is a market of 1.2 billion, he said. "Why don't you see the 1.2 billion-people market?" he said.

The envoy said goods worth \$5 billion were traded through India's Petrapole and Bangladesh's Benapole land ports last year and 1.2 million people of the two countries crossed through the two ports.

He said India is now issuing multiple-entry visas with a validity

of one to five years to Bangladeshi businesspeople as they have been facing problems related to visa for a long time.

Energy is another important sector for cooperation between the two neighbours, he said, adding that India is now an energy surplus country.

Bangladesh has a good opportunity to import more energy from India at a competitive rate, he said.

It took 42 years to build a single grid line between Bangladesh and India for energy trade, but now Indian entrepreneurs are interested to invest in power grid with Bangladesh, he said.

India started exporting 250 megawatt of electricity to Bangladesh through a gridline in 2013, and more grid lines will be built soon.

Bangladesh has less trade imbalance with India compared to that with China, he said.

Bangladesh's trade gap with China is worth more than \$6 bil-

lion a year, while with India the figure stands at \$5 billion, the envoy said.

"But both India and China have been making Bangladesh's trade more competitive and helping in diversifying the export basket," he said.

Bangladesh exports more than \$500 million worth of goods to India a year and almost the same amount to China, he said.

On the flow of Indian investment into Bangladesh, Saran said the two countries are in talks to build two or three special economic zones for Indian investors in Bangladesh.

Saran hopes the special economic zones will help Bangladesh attract more Indian investors.

On the dilapidated condition of infrastructure along more than 4,100 kilometres of the bordering areas between the two countries, Saran said none of the two countries developed the infrastructure since the independence of India in 1947.



Mohammed Helal Miah, a director of Midland Bank, opens a branch of the bank in Narsingdi on Sunday. Md Ahsan-uz Zaman, managing director, was also present.

NCC Bank re-elects audit committee chairman

STAR BUSINESS DESK

Md Amirul Islam, independent director of NCC Bank, has recently been re-elected as the chairman of the audit committee of the board, the bank said in a statement.

Islam is a chartered accountant and chartered secretary and has served BSRS/BDL for more than



29 years in different important roles, according to the statement.

He is also the current audit committee chairman of Dacca Dyeing and Manufacturing Co Ltd and Hakkani Pulp and Paper Mills Ltd.

He has previously served Aramit Cement and BD Welding and Electrodes Ltd as audit committee chairman.



Md Mehmood Husain, managing director of Bank Asia, and Jeoung Sek Kim, country director of Good Neighbors Bangladesh, an international NGO, exchange documents of a memorandum, at the bank's corporate office in Dhaka yesterday for use of the bank's agent banking channel to reach the NGO's beneficiaries.

Stocks up for third day

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Stocks gained for the third day yesterday riding on the back of bank, and fuel and power sector shares.

DSEX, the benchmark index of Dhaka Stock Exchange, jumped 60.52 points or 1.26 percent before closing at 4,862.55 points.

The market gained momentum after six sessions of mostly lateral movements, said IDLC Investments.

"The session was upbeat from the beginning as investors eyed a reversal," the merchant bank said.

Trade picked up as the day progressed, and "engineering, fuel and power, and pharmaceuticals were buzzing with investors, ultimately capturing 54 percent of the day's total

turnover," it added.

Turnover, another important indicator of the market, saw a slight increase of 0.6 percent to stand at Tk 811.71 crore after transactions of 20.73 crore shares and mutual fund units.

Of the traded issues, 201 advanced and 82 declined with 36 securities closing unchanged on the premier bourse.

Appollo Ispat Complex dominated the turnover chart with 1.27 crore shares worth Tk 29.09 crore changing hands, followed by Square Pharma, Lafarge Surma Cement, Beximco Pharma and Jamuna Oil.

Of the major sectors, banks gained 2.83 percent in market capitalisation, followed by engineering gaining 1.82 percent, fuel and power 1.36 percent

and textiles 0.84 percent.

Conversely, mutual funds and cement lost 0.46 percent and 0.37 percent.

Beach Hatchery was the day's best performer, gaining 10 percent, while First Bangladesh Fixed Income Fund was the worst loser with a 5.12 percent fall.

Chittagong stocks rose with the bourse's benchmark index, CSCX, increasing 98.18 points to stand at 9,076.18.

Gainers beat losers as 149 advanced and 80 declined, while 28 finished unchanged on the Chittagong Stock Exchange.

The port city bourse traded 1.75 crore shares and mutual fund units, generating a turnover of Tk 61.62 crore.

IMF says Western sanctions could cut 9pc off Russia's GDP

REUTERS, Moscow

Sanctions linked to the Ukraine crisis could end up costing Russia 9 percent of its gross domestic product, the International Monetary Fund said on Monday.

Russia's economy is showing signs of stabilisation after slumping under pressure from Western financial sanctions and Russian counter-measures. Low international prices for its oil exports have added to pressure on the rouble and government finances.

"The effects of sanctions in terms of external access to financial markets and new investment technology will linger," the Fund said, summing up the findings of a mission in May.

Last year Western countries imposed restrictions that limit international financing for major Russian banks and energy companies, and also high-tech exports to the energy sector. Russia retaliated by banning imports of most Western food products.

The Fund estimated the immediate effect of sanctions and counter-sanctions had been to wipe between 1 and 1.5 percent off GDP, rising to 9 percent over the next few years. These model-driven results were subject to significant uncertainty, it cautioned.

The IMF also forecast "weak" economic growth of around 1.5 percent annually in the medium term. Russia's economy was growing around 7 percent a year before the 2008 global financial crisis.

"Slow-moving structural reforms, sluggish investment and adverse population dynamics are all part of the picture," it

said, reiterating its long-standing advice for Russia to reduce the role of the state in the economy, protect property rights and boost competition.

Russia would nevertheless return to economic growth next year as a weaker rouble boosted competitiveness, external demand increased and domestic financial conditions normalised, the IMF said.

It predicted 0.2 percent growth next year following a 3.4 percent contraction this year, in line with its previous forecasts. Inflation was seen slowing to around 12 percent by the end of this year and 8 percent by the end of next year - more pessimistic than the central bank's forecast of 7 percent by mid-2016.

The IMF said the central bank's policy of gradually reducing its main interest rate in line with underlying inflation was appropriate, but the pace of reductions needed to be "prudent".

It supported limited fiscal stimulus this year, but added: "An ambitious and credible medium-term fiscal consolidation program is necessary to adjust to lower oil prices."

The IMF recommended revising Russia's fiscal rule, which links government spending to the historical oil price, so that the recent oil price fall could be more quickly reflected.

The Fund also said such fiscal adjustment would be hard to achieve if Russia indexes pensions next year at a cost of 1.1 percent of GDP. Russia typically indexes pensions but has yet to decide whether to do so next year.

"Detailed fiscal measures will also be critical for the credibility of the consolidation program," the IMF said.

South Korea posts record current account surplus

AFP, Seoul

South Korea on Monday posted a record current account surplus for the first half of this year as slumping oil prices helped offset the impact of shrinking exports.

The current account -- the broadest measure of foreign trade in goods and services -- showed an unprecedented surplus of \$52.4 billion in the six months to June, according to data from the central Bank of Korea.

The surplus for June also hit a record monthly high of \$12.2 billion.

The data showed tumbling oil prices that hit multi-year lows since late last year helped push down the value of imports, widening the current account surplus despite falling exports. Exports account for more than a half of the Asia's fourth-largest economy, which imports most of its energy needs from overseas.

China to bankroll permanent exhibition centre at Purbachal

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There will also be a conference room, press centre, meeting room and business information centre, as well as parking space for 1,500 cars. On the first floor, there will be a maternity corner and crèche.

When the permanent exhibition centre is set up, manufacturers and exporters can showcase their products all the year round, according to the proposal. The local companies will get more ideas from the visiting foreign buyers.

The Dhaka International Trade Fair is held in January every year, with participation from local and foreign companies.

This year, 14 countries, including India, Pakistan, China, Malaysia, Thailand, the US, Singapore, Australia, the UK, the UAE and Germany, participated in the fair.

New BB rules to impact business of mobile financial service providers

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"We think that direct enforcement of interoperability is rather more pragmatic and feasible from stakeholders' perspective."

The draft guideline opens up shareholding in MFS companies for the non-financial investors including mobile network operators. No single shareholder or mobile network operator will be able to hold more than 15 percent shares, but more than one mobile operator can collectively own maximum 30 percent shares in a specific MFS company.

It said bKash, being the most successful player with big difference from the second player in the MFS industry, may become an investment target by the mobile operator.

The mobile operators' shareholding in competing companies will also increase competition for bKash.

US consumer spending edges higher in June

AFP, Washington

US consumer spending edged higher in June, capping a rebound in the second quarter from weak growth in the first months of the year, the Commerce Department reported Monday. Consumer spending, which accounts for about 70 percent of US economic activity, rose 0.2 percent in June after a 0.7 percent gain in May and a 0.3 percent increase in April, the department said.

For the April-June quarter, spending increased at an annual rate of 2.9 percent, up from a 1.8 percent pace in the first quarter. The improvement was led by a 4.8 percent jump in goods purchases. Growth in spend-

ing on services, the sector that generates the most US jobs, was unchanged at 2.1 percent for the second consecutive quarter.

Personal income rose 0.4 percent for the third month in a row in June. Real disposable income picked up slightly, to 0.5 percent growth following two months of 0.4 percent.

Inflation remained tepid. The Federal Reserve's preferred inflation measure, the personal consumption expenditures price index rose 0.3 percent year-over-year in June, accelerating slightly from May. Excluding food and energy, which can be volatile, so-called "core" PCE prices rose 1.3 percent for the sixth consecutive month, still well below the Fed's 2.0 percent target for price stability.

Most life insurers overshoot spending limits

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It is calculated as a percentage of the premium (first-year and regular premium) and the size of the business.

Insurers in Bangladesh hardly follow the rule on the expenses as the companies know they will be fined nominally for violation.

An insurer will be fined a maximum of Tk 5 lakh for violation of the rules for management spending, according to the Insurance Act 2010.

IDRA data shows 17 life insurers, which came into the market in 2000 or before, spent nearly Tk 1,800 crore in excess as management costs in six years till 2014.

If IDRA imposes fine at the highest ceiling (Tk 5 lakh each), the total amount would stand at a meagre Tk 85 lakh.

Over expenditure was a practice in India also, but the regulator there imposed vigorous punishment few years ago.

Now, if the limit was breached by insurers in India, the excess amount would come out of the shareholders' account.

IDRA data shows new life insurers that came into the market in 2013 spent the most: Guardian Life Insurance spent additional 354 percent, Chartered Life Insurance 254 percent, Swadesh Life Insurance 220 percent and Alpha Life Insurance 198 percent from their allowable limits.

Life insurance companies, especially in the first five years of their business, have a higher cost-head, due to expansion of business, recruitment of staff, setting up new branches and marketing expenses.

But insurance companies of 10 to 20 years old are spending higher than the limit.

Even state-run Jiban Bima Corporation spent Tk 50 crore more than its allowable management expenses for 2014. First generation insurance companies that have been doing business for over two decades have spent far more than the limit.

For example, Pragati Life Insurance spent 31.5 percent higher, Padma Islami Life 43.39 percent, Popular Life 12.4 percent, Sandhani Life nearly 29 percent and Fareast 22 percent more than their limits as management expenses. BM Yousuf Ali, managing director of Popular Life Insurance, said management expenses have been declining for them and some other companies in recent years.

Popular Life's excess management cost has come down to 12 percent last year from 18 percent in the previous year, he said.

The cost will be brought down to the allowable limit in five years, Ali said, adding that credit goes to the regulator that has been persuading insurers to effectively use the policyholders' money.

Stock manipulator jailed for two years

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Due to long-pending cases, listed companies sometimes cannot declare dividends or make corporate disclosures.

Whenever the securities regulator imposes fines on any listed company, investor or manipulator, they go to the High Court to challenge the order, negating its efficacy.

Some 500 cases have been filed against companies, investors and manipulators with the courts since 1996, according to data from the stockmarket regulator.

Of the cases, the much-anticipated ones are those 15 criminal cases filed against the suspected manipulators who were involved in the 1996 stockmarket scam and the two cases that were lodged for the crash in 2010-11.

After recommendations from a probe report on the stockmarket crash of 2011, the Securities and Exchange Ordinance 1969 was amended in parliament in November 2012, empowering the government to set up special tribunals to try such cases.



Shahid Hossain, managing director of Southeast Bank, presides over the half yearly conference of the bank's Dhaka and Sylhet region managers, at Dhaka Regency Hotel & Resort recently.