

Eurozone growth slows

AFP, Brussels

Growth in the eurozone slowed slightly in the second quarter but it appears to be holding up against the Greek debt crisis and the Chinese slowdown, official data showed Friday.

Analysts said the figures suggest the economy is bumping along, but there seems little hope of a sharp improvement despite a massive European Central Bank stimulus programme.

The 19-nation eurozone expanded 0.3 percent in the three months to June after a gain of 0.4 percent in the first quarter, the Eurostat statistics agency said.

Analysts had expected 0.3-0.4 percent after recent data showed inflation and unemployment little changed.

Compared with second quarter of 2014, the economy grew 1.2 percent, Eurostat said.

The eurozone slowdown reflected a sharp reverse in France -- flat after a jump of 0.7 percent in the first quarter -- which was offset in part by a pick-up in Germany, Europe's powerhouse economy, to 0.4 percent from 0.3 percent.

Analysts at Capital Economics said the eurozone would likely continue slow growth, supported by Spain and Germany but with France unlikely to

show much improvement.

Among the larger economies, Spain was one of the best performers with a gain of one percent in the second quarter, while Italy added just 0.2 percent.

"Looking ahead, business surveys suggest that the eurozone economy will continue to expand, led by strong growth in Spain and a solid German economy, but they offer little hope that the recovery will gain pace," analyst Jennifer McKeown said in a research note.

"We suspect that growth in the region as a whole will slow further in the second half of the year as temporary boosts from a weaker euro and lower oil prices fade," McKeown said.

"This underlines the need for the ECB to maintain and perhaps extend its policy support."

The ECB has pledged to pump more than one trillion euros (\$1.1 trillion) into the economy through September 2016 to boost demand and credit.

Data last month showed the July eurozone inflation rate unchanged at 0.2 percent while unemployment for June was also flat.

The inflation data has been a cause for concern as the figures directly reflect consumer demand and have fallen well short of the ECB's inflation target of just under two percent.

A notable highlight of Friday's report was debt-mired Greece, which gained 0.8 percent in the second quarter, but analysts said that was an anomaly.

"The 0.8 percent Greek expansion should be seen as a freak figure, distorted by Greek consumers emptying their bank accounts and spending it on durable goods out of fear for a possible 'Grexit,'" said Peter Vanden Houde at ING Bank.

Vanden Houde said the figures overall showed the eurozone was holding its own against the Greek and Chinese headwinds although the ECB may still have to do more.

"The relative immunity... to the Greek crisis and the Chinese slowdown remains encouraging, although it's probably still a bit too soon to claim victory on this front," he said in a note.

He added that he shared the ECB's view "of a broadening recovery, with risks remaining tilted to the downside."

The Chinese economy has slowed steadily in the past year and Beijing has recently pushed down the value of the yuan in a bid to boost its key export sector.

Chinese and global markets have sold off sharply as a result on fears China's downturn will sharply undercut world growth prospects.

Taiwan hits Uber with \$1m in fines

AFP, Taipei

Taiwan has fined Uber a total of US\$1 million since September for improper registration, turning up the pressure on the app-based taxi service as authorities mull revoking its license to operate on the island.

The highways department has handed down 243 fines totalling Tw\$32.75 million (US\$1 million) since September, when penalties on Uber first started for operating without proper registration.

It is the latest setback for the company, which faces regulatory roadblocks in several other countries, after five of its drivers were arrested in Hong Kong earlier this week.

The San Francisco-based service has been entangled in disputes with Taiwanese authorities since it launched in Taipei in 2013.

IMF warns of disorderly correction if China reform slows

AFP, Washington

The IMF warned Friday that China, the world's second-largest economy, could face a "disorderly correction" followed by slower growth if its reform program slows.

Presenting its annual assessment of China, the International Monetary Fund expressed satisfaction with its transition to a more market-oriented economy.

But it also warned Beijing to stay the course, despite recent warning signs.

"The faster the progress, the sooner the benefits will materialize," said Markus Rodlauer, head of the IMF mission to China and one of the authors of the review.

The report forecasts 6.8 percent growth for this year, relatively low by recent Chinese standards but this was expected as Beijing transitions to a more sustainable model.

It also said the yuan is no longer undervalued, despite Beijing ordering this week's steep fall against the dollar, noting it was still well up over the year.

The IMF was also sanguine about the recent turmoil on Chinese stock markets, which it said does not threaten the wider economy.

But it urged Beijing to quickly unwind its massive state intervention to support falling share prices, and warned that the true risk would come from slowing reform.

"Insufficient progress in containing vulnerabilities and advancing structural reforms continues to pose the biggest risk to the outlook," Rodlauer warned.

"If there were going ahead insufficient progress that would be the biggest risk that, if realized, could result over the medium term in a disorderly correction and a protracted period of slower growth."

Markets and some world governments have been alarmed by this week's decision by China to devalue the yuan, but the IMF said it should be seen as a step toward a more market-oriented exchange rate approach.

"The exact impact will depend on how the new mechanism is implemented going forward," Rodlauer told reporters.

"China can and should aim to achieve a full floating exchange rate system within two to three years."

Asked whether the yuan's fall would help China's in its quest to see the yuan become one of the reserve currencies in the IMF's SDR (special drawing rights) basket, Rodlauer was cautious.

"The announced change has no direct impact on the criteria used in determining the composition of the basket," he said, calling for a "more market-oriented" rate.

China sees gaining SDR status for the yuan as a recognition of its role in the world financial system as a reserve currency on a par with the dollar or the euro.



Md Abdus Sattar, general manager of Green Line Paribahan, and Sazzad Alam, head of direct sales at Grameenphone, inaugurate GP's Wi-Fi service on Green Line buses on Dhaka-Cox's Bazar and Dhaka-Sylhet routes yesterday. Mohammad Alauddin, owner of Green Line Paribahan, and Md Baqui Billah, head of business sales at GP, were also present.



HN Ashequr Rahman, chairman of Meghna Bank, presides over the bank's second annual general meeting at Amari hotel in Dhaka on Thursday. Mohammed Nurul Amin, managing director, was also present.

BP to appeal US ruling over gas market manipulation

AFP, London

Energy giant BP is set to appeal against a decision by a US judge that it had manipulated gas market prices in 2008, the company said Friday.

The ruling came from the Federal Energy Regulatory Commission (FERC) Thursday, and London-based BP said it "strongly" disagreed with the decision.

"As BP demonstrated at the hearing, the FERC enforcement staff's allegations are entirely without merit," Geoff Morrell, BP's vice president for US communications and external affairs, said in a statement.

"The evidence overwhelmingly demonstrated that BP's natural gas traders did not engage in any market manipulation and FERC has no jurisdiction over the trading at issue in any event."

BP could face fines of tens of millions of dollars in the case. Its Southeast Gulf Texas team was accused of manipulating gas prices to keep them low and strengthen their financial position in derivatives.

This allegedly took place in the two months following Hurricane Ike in September 2008, which caused significant damage in the South.

In July, BP said it would pay \$18.7 billion to compensate the US government and five states for damages stemming from the 2010 Gulf of Mexico oil spill.

Philippines' largest airline says profit up strongly

AFP, Manila

Cebu Pacific saw its half-year net profit soar 63 percent as low fuel costs helped it take full advantage of higher passenger and cargo traffic, the Philippines' largest airline said Friday.

The carrier reported a net income of 5.2 billion pesos (\$112 million) for the January to June period, compared to 3.2 billion pesos a year earlier.

However, profit was down slightly to 2.9 billion pesos from 3.0 billion pesos in the three months to June as the cost of the company renewing its fleet and foreign exchange losses due to a rising dollar offset revenue gains.

Passenger revenues in the first half grew 9.4 percent to 22.8 billion pesos, as increased flights drove traffic 8.2 percent higher to 9.2 million passengers, it said.

Cargo revenues grew 11.4 percent to 1.6 billion pesos.

"The group generally records higher domestic revenue in January, March, April, May and December as festivals and school holidays in the Philippines increase seat load factors," the company told the stock exchange in a disclosure.

Rival Philippine Airlines reported on Tuesday a near 10-fold increase in net profit to 5.8 billion pesos, citing peak demand.

BTRC to slash mobile call charges

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The new move, when applicable, will cut inter-connection and ICX charges to Tk 0.13 and Tk 0.03 respectively, sources say. In 2008, the BTRC fixed the per minute call rate for customers between Tk 0.25 to Tk 2, and Tk 0.6 per minute for inter-operator calls.

Now the regulator is mulling over reducing inter-operator call charge to Tk 0.40, and lowering the ceiling for same-operator charge at Tk 1.50.

A BTRC official underscored the need for a proper cost modelling study rather than arbitrary fixing of charges. But mobile operators remained cautious about commenting on the issue.

This is the lowest-tariff market in the world and another price cut may impact the quality of service, a senior executive of a top-three operator said.

"We will propose a cost modelling study at the meeting, not only for voice but for data as well."

Another senior executive said the regulator should not initiate any hasty change, especially to favour any one operator. If the BTRC reduces call charges, it will hit the government's revenues as well as increase the illegal incoming of international calls, others said.

Leather sector's exports cross \$1b for second year

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Bangladesh aims to export \$1.21 billion of leather and leather goods in 2015-16, which is 7.28 percent higher from last fiscal year, he said.

Italy, the UK, Belgium, Spain, France, Germany, Poland, the US and Canada are the big markets for the sector, he said.

In recent years, the exporters have been doing well in Japan, India, Nepal and Australian markets, Manzur said.

"Of the new destinations, Japan is very promising for us, as our export is increasing significantly in the market because of a duty-free advantage."

The government should negotiate with Japan as the possibility of a free trade deal to be signed by different countries with the Asian economic giant may encourage it to cancel the duty benefit, he said.

Bangladesh now exports only 0.5 percent of the global leather and leather goods market worth \$215 billion, according to industry insiders.

The sector may achieve the target by the end of the current fiscal year, although it missed the target in the last two years, said Saiful Islam, president of the Leathergoods & Footwear Manufacturers & Exporters Association of Bangladesh.

"Our export missed the target for two reasons: the crisis in Eurozone and environmental problems in Hazaribagh area," Islam told The Daily Star.

The appreciation of the taka against the euro was also responsible for missing the target, he said.

International retailers are placing a low number of work orders in the factories housed in Hazaribagh tanneries that are polluting the environment, Islam said.

The Hazaribagh tanneries were supposed to be relocated to Savar tannery estate few years ago, he said.

"Our target is to export \$5 billion of leather and leather goods by 2020 as our new export destinations are showing great promises," he said.

Bangladesh exports 30 percent of its leather and leather goods to Japan every year, Islam said.

State banks continue to rely on handouts

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Rahman has become so annoyed with the four banks that he even threatened that their managing directors would be removed if the situation did not improve, said a high official of Sonali Bank who was present in the meeting.

The governor also said the central bank would not hesitate to appoint observers and write to the government about the poor performance of the boards.

In 2012, at least two banks' capital adequacy ratio (CAR) became negative, and that of the other two dropped to almost half of the required capital.

At the same time the default loan of the banks also increased up to 37 percent.

In 2013, the government provided Tk 4,100 crore to four state banks to improve their capital position to some extent. Of the amount, Tk 710 crore went to Sonali alone.

The banks are required to maintain a minimum capital of 10 percent of their risk-weighted assets. But in March the CAR of Sonali, Agrani and Rupali fell short of their required ratio. In the January-March quarter, the default loans of the banks increased, which resulted in a decline of their income and their CAR.

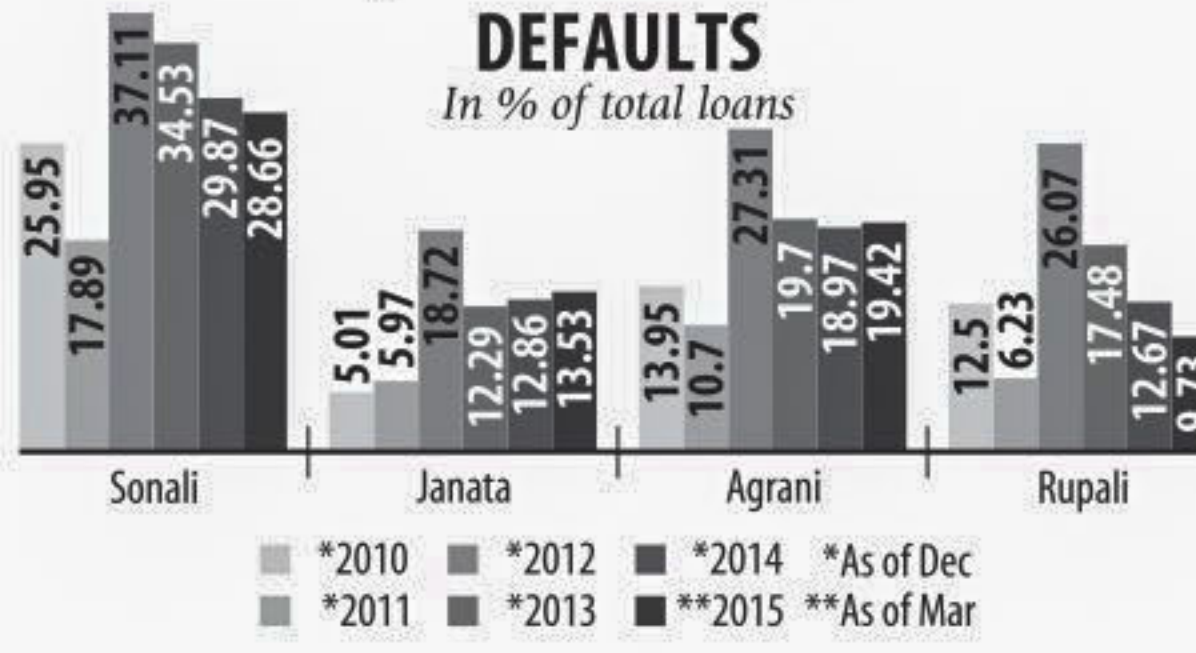
The return on asset (ROA), which shows how much the bank earns against Tk 100 investment after deducting its expense, dropped to 0.04 percent at Sonali, 0.09 percent at Janata, 0.17 percent at Agrani and 0.13 percent at Rupali in March. It was 0.65 percent at Sonali, 0.61 percent at Janata, 0.4 percent at Agrani and 0.16 percent at Rupali in December 2014.

Though the four banks' income fell, their expense remained close to their quarterly target.

Sonali spent 20.21 percent of its yearly target, Janata 19.93 percent, Agrani 22.46 percent and Rupali 24.29 percent. Bankers said the condition of the banks started deteriorating in 2009 after the government started to appoint too many people in their boards on political consideration, creating grounds for a number of financial scams in recent years.

But from 2013, the government started exercising caution, so the situation is bound to improve, said a senior official of the Banking Division.

Also this year, in an effort to improve the situation



further, the finance ministry division signed performance agreements with the boards of the four banks, he said.

Agrani Bank Chairman Zaid Bakht said no big felonies such as those involving Hall-Mark Group are now taking place at state banks. "It's all in the past."

It is not just Agrani, the three other state banks too are disbursing loans cautiously, he said, adding that in many instances, the bank officials are over-cautious.

Bakht said the monitoring by the central bank has also intensified. A Sonali high official said once a loan becomes bad it is very difficult to realise it.

Still, some loans are being given and rescheduled under political influence. There are occasions when borrowers request the banks to send the rescheduling proposals to the central bank when they are not covered by the rules.

They went on to get consent from the BB and enjoy the facility. The realisation of loans is being delayed due to pending cases, according to bankers.

As of March 31, the four state banks had 16,590 pending cases involving Tk 21,934 crore.

In the recent meeting, the BB governor also said the picture of the banks' financial condition is not pleasing at all.

Default loans and capital deficits are the major problems facing the banks. The other problems include: high-operating costs; poor efficiency; and weakness in corporate governance, risk management, internal audit and asset, and liability management.

Rahman said assets would continue to erode until their quality improved.

Tax privilege for fish farming to come back

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The clause for the reintroduction of the privilege was also included in the budget for the current fiscal year.

The original concession -- 3 percent tax on any amounts of income -- was offered for two years beginning in July 2013 to encourage diversification and boost production of protein. But some businessmen, politicians and even government officials abused the privilege.

The abuse was tricky to catch as it is difficult to assess fish stocks in ponds, which made it easy for corrupt people to claim any amount of income from fish farming.

who did not own fish farms claimed income from the business to evade taxes, taxmen said.

The reintroduction of the tax facility will create money-whitening scope for people with undisclosed incomes, said Syed Md Aminul Karim, a former member of the income tax department at the NBR.

"Regular taxpayers will be discouraged," he said.

The NBR is also set to declare incomes up to Tk 20 lakh from poultry and duck farming as tax-free.

The tax rate will be 5 percent for incomes up to Tk 30 lakh for the sector, and some 10 percent tax will apply to any income above that.



Officials of Posmi Sweaters pose at the launch of a month-long fire safety and compliance course under the Skills for Employment Investment Programme, supported by the ADB, finance ministry and BGMEA, last week. Forty employees of Posmi Sweaters, Spectra Sweaters, and Fame Sweaters are participating in the programme.