China eyes fiscal splurge to cushion reforms, slowing growth

REUTERS, *Beijing*

China could run its biggest budget deficit in perhaps half a century next year as leaders turn to government spending to arrest the slowdown in the economy, policy advisers say, after disappointing returns from a year of monetary policy easing.

The government is expected to increase its budget deficit to about 3 percent of gross domestic product in 2016 from a target of 2.3 percent this year to help cushion against the possible impact on the economy from structural reforms, the advisers said.

The sources, who prepare advice for senior leaders but are not involved in the final policy decisions, said a bigger deficit was among recommendations made to leaders at a recent meeting that set the economic agenda for next year, as a counter to the expected pain from plans to tackle oversupply and debt.

"Next year's budget deficit ratio is very likely to rise to 3 percent or slightly higher, and we cannot rule out the possibility of continued rises in the next several years," said a source at the finance ministry.

Last month, Vice Finance Minister Zhu Guangyao said economists should reconsider what constitutes a danger zone for deficit-to-GDP ratios, comments some analysts took as a hint of more aggressive stimulus to come.

"To halt a further slowdown in economic growth, China should take a more forceful fiscal policy next year and in coming years, using the fiscal policy as the main tool," said an influential economist at the Chinese Academy of Social Sciences, a top government think-tank.

Growth in the world's second-largest economy is set to slow to a quarter-century low of about 7 percent this year and deflationary pressures persist, even after a year of cuts in interest rates and bank reserve requirements, fund injections into the banking system and easier loan requirements.

The government is expected to target economic growth of at least 6.5 percent in 2016 - in line with a new five-year plan to fulfil a previously announced goal of doubling GDP and per capita incomes by 2020 from 2010 levels, policy insiders say.

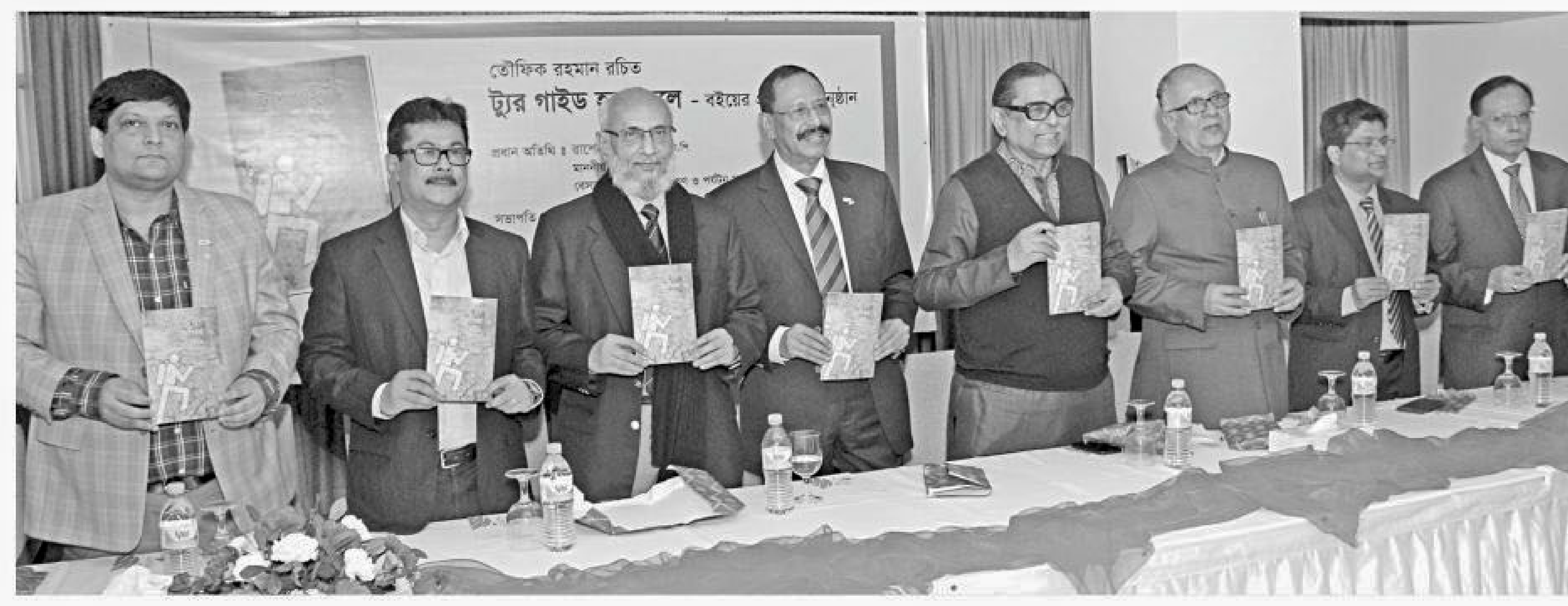
"During the deflationary period, monetary policy is ineffective as banks are reluctant to lend and companies are reluctant to borrow," said the CASS economist, adding that the government should run a budget deficit of 3 to 4 percent of GDP in 2016 to finance tax cuts and infrastructure spending. The Finance Ministry did not return a request for comment.

After senior leaders held their Central Economic Work Conference mid-month, they outlined five major tasks for restructuring - capacity elimination, destocking, deleveraging, lowering costs and "making up for shortcomings".

But such reforms could weaken growth further before the benefits are seen, and that carries risks such as higher unemployment for a leadership bound by goals set by the previous administration. So while monetary policy will remain supportive, the new policy buzz-phrase in China is "supply-side reform".

"There is still some room for policy easing. The scope for cutting interest rates is small, with one or two cuts expected next year," said an economist who advises the government.

There is no complete official data on the deficit/GDP ratio, but Chinese analysts said the level had never hit 3 percent in the post-1978 era, when former leader Deng Xiaoping launched liberalising reforms to China's command economy.



DHAKA REGENCY

Rashed Khan Menon, civil aviation and tourism minister; Shahid Hamid, chairman of the Bangladesh chapter of Pacific Asia Travel Association, and Taufiq Rahman, secretary general, pose at the launch of a book—Tour Operator Hotey Holey—at Dhaka Regency Hotel and Resort.

Russian economy to endure difficult 2016, warns minister

AFP, *Moscow*

Russia's finance minister predicted Wednesday that 2016 would be a difficult year for his country's recession-hit economy, already reeling from low oil prices.

As the economy slides, Russia's battered ruble reached a 2015 low on Wednesday, standing at 73.24 against the dollar, a year after suffering its worst decline in 15 years.

"Next year will not be simple," Anton Siluanov said in an interview with Russian state television. "The latest predictions show that the price of our main exports could be lower than predicted."

The ruble lost around half of its value in 2014 but recovered slightly as energy prices stabilised earlier this year, allowing officials to claim the worst of the crisis had passed. But the recent decline in oil prices -- with Brent crude reaching an 11-year low this month -- has cast a shadow on the recovery of Russia's oil-dependent economy.

The country's 2016 budget had been calculated on an oil price of $50 per barrel, a figure President Vladimir Putin said was an "optimistic" assessment of the situation, with the price now hovering around $37.

Siluanov predicted the oil price would stay around $40 per barrel on average, and that spending cuts and privatisation measures would be integrated into the budget.

At his annual press conference earlier this month, Putin insisted the country could weather the headwinds, despite volatility in oil prices.

The Russian government has forecast the country's GDP would increase 0.7 percent next year, after falling 3.7 percent in 2015.

MEGHNA BANK

Abdul Alim Khan Selim, vice chairman of Meghna Bank, and Mohammed Nurul Amin, managing director, attend the opening of the bank's 26th branch at Tekerhaat in Madaripur on Tuesday.

UCB

Javed Iqbal, head of brand marketing and corporate affairs at United Commercial Bank, hands over blankets as donation to AFM Asaduzzaman, general manager of the Governor's Secretariat of Bangladesh Bank, on Monday. The blankets will be distributed among the poor.

India mobile subscribers rise to more than 1b

REUTERS, *Mumbai*

India's mobile phone subscriber base peaked to more than 1 billion users for the first time, data released by the telecom regulator on Wednesday showed, making India the only country after China to achieve that milestone.

Total wireless subscribers in Asia's third-largest economy rose to more than 1 billion at the end of October from 996.7 million at September-end, the data showed.

Mobile subscriptions in India have surged in recent years, helped by the launch of cheaper smartphones and record low call rates as a result of a cut throat competition among mobile phone operators to expand customer base.

Foreign employees on the rise in Bangladesh

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"We are preparing the database as the number of foreign workers, including the undocumented ones, is increasing day by day."

He said the garment sector needs to employ foreign workers as there is a shortage of skilled manpower for top posts like merchandising, production and designs.

Regarding the foreign workers, Syed Sultan Uddin Ahmed, assistant executive director of the Bangladesh Institute of Labour Studies, said it is a new kind of challenge for the country as many do not have the valid documents to stay. Subsequently, he called for a thorough survey on the matter.

Gagan Rajbhandari, deputy country director of the International Labour Organisation in Dhaka, said there is no genuine research or data on the presence of undocumented workers. Without any evidence, it would not be possible to say if there are undocumented workers and whether or not they have equal opportunities, he added.

Syed Ahmed, additional secretary to the ministry of labour and employment, said the government does not have any specific data on undocumented foreign workers as this is a new issue in Bangladesh.

"We are not aware of this issue," he said, adding that the government will seek to ratify the related ILO conventions to protect the rights of foreign employees.

He said a survey will soon be conducted to find out the total number of foreign workers in the country, including the undocumented ones.

Singapore calls for resumption of EU-Asean trade talks

REUTERS, *Berlin*

Singapore's trade and industry minister has called for a resumption of free trade talks between the European Union and the Association of Southeast Asian Nations now that problems over Myanmar have been removed, a German newspaper said.

The EU and 10-nation Asean launched free trade talks in 2007, but abandoned them two years later, with the EU choosing instead to conduct bilateral talks with individual members.

The EU has accords with Singapore, Vietnam and South Korea and last week the EU and the Philippines agreed to start free-trade talks next year as Europe attempts to tap into Asia's faster economic growth.

The business daily Handelsblatt cited the minister, Lim Hng Kiang, as saying that negotiations could restart because the problem of the EU not wanting to do business with the generals of Myanmar's military dictatorship had been removed due to changes there.

"I am in favour of the EU and Asean starting negotiations again," the newspaper quoted Lim as saying in an advance extract of an interview due to be published on Wednesday.

Myanmar has been ruled by a quasi-civilian government since 2011 following five decades of military rule and has been widely praised for ushering in economic and political reforms. Asean formally established an Asean Economic Community (AEC) at its annual summit last month, aiming to create a single market with few barriers to the flow of trade, capital and professional labour in an area of 625 million people. The AEC is due to come into being on Dec 31.

Lim urged other Asean nations to style themselves on the EU to integrate the AEC, the newspaper said.

Oman to hike fuel prices, taxes

AFP, *Muscat*

Oman's government will hike fuel prices, charges for public services and corporate taxes in the face of falling oil prices, the official ONA agency reported Wednesday.

Non-OPEC Oman is the latest Gulf state to announce austerity plans amid falling oil revenues that have lead to big budget deficits.

"The council of ministers has approved a number of measures to face the consequences from the drop in oil prices and to ensure fiscal sustainability," ONA cited a cabinet statement as saying.

"These measures include reducing government spending and boosting non-oil revenues through raising taxes on corporate profits, increasing charges on some public services and amending fuel prices to be in line with international levels as from mid-January," the statement said.

3G brings a boom to telecom

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The number of handsets imported in 2014 was 2.59 crore pieces.

Emphasising security more than the figures, Tarana said although Facebook was blocked temporarily, it opened a new channel of dialogue.

The government got a positive response from Facebook, which can be counted as a major success for 2015 in this field, she said.

"Facebook authorities came and sat with us, and now we can plan with them on how to protect users form criminal activity."

On November 18, the government shut down the internet for the first time in the country for over 75 minutes, following a verdict of the Supreme Court that upheld the death penalty for war criminals Salauddin Quader Chowdhury and Ali Ahsan Mohammad Mojaheed.

"It was a real shock for the people in terms of the digitisation process," said Mustafa Jabbar, former president of the Bangladesh Computer Samity.

Security is the main concern now and the government did very little about it in the last few years, he added.

Another major talk of the year was a possible merger between Robi and Airtel. The move awaits regulatory approval and the new company could become the second biggest operator in the country after Grameenphone.

The telecom regulator signed a deal with a French satellite company in recent times, and they started work on Bangabandhu-1 satellite, which is scheduled for launch in December 2017.

The government also started a project to introduce biometric fingerprints for the registration of SIM cards to curb cyber crime.

Another noteworthy development in the outgoing year was the massive cut in wholesale bandwidth prices.

A guideline has been finalised for mobile number portability that gives customers the freedom to switch their networks without changing their existing phone numbers. This process has been trying to get some shape since 2008.

Here, Jabbar said people are ready for modern digital services but the government is lagging behind in meeting people's expectations.

From the ICT division, the government introduced 600 mobile applications to improve citizens' services.

The government started the journey towards setting up hi-tech parks and established fibre optic cable connections for all its offices this year.

But it failed to ensure an e-filing system because of some senior officials' backward looking thoughts, said experts.

Jabbar also said the government took up different lucrative projects, spent a lot of money too, but the ultimate result was zero.

"Foreign companies came and took advantage of the benefits available to them, while the local companies are still not ready to compete with them. That is why our local industries are still not mature."

A record-breaking year for garment sector

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However, not all developments this year were positive for the garment sector. The signing of the Trans Pacific Partnership agreement between 12 nations in October stands to erode the country's competitiveness in apparel trade in future. The pact is aimed at deepening economic ties between these nations, slashing tariffs and fostering trade to boost growth.

Among the 12 nations are Vietnam, Bangladesh's main competitor in global apparel trade, and the US, the country's main export destination. The deal means that Vietnam is poised to gain ground over Bangladesh, currently the second largest apparel exporter in the world.

The slide in major currencies like the euro and the US dollar in 2015 also impacted Bangladesh's earnings from garment exports. Bangladesh earned nearly $3 billion less from exports in 2015 due to a steep fall of the euro.

"2016 will be better than 2015," said David Hasanat, managing director of Viyellatex Group, one of the leading garment exporters.

Going forward, the country needs to enhance the human resources for the garment sector, as it is the main source for foreign currency and employment generation, he said.

"I hope many positive things will happen next year," said Hasanat, whose turnover in the garment segment is more than $250 million in a year.

BERGER PAINTS

Officials and business partners of Berger Paints pose during a trip to Las Vegas, USA.

BEIOA

Jasim Uddin, a director of the Federation of Bangladesh Chambers of Commerce and Industry; Md Abdur Razzak, president of Bangladesh Engineering Industry Owners Association (BEIOA), and Md Islam Uddin, an adviser, attend a programme to hand over certificates to the participants of a skills training, at the BEIOA auditorium in Dhaka on Tuesday.

Stocks end flat for second day

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Chittagong stocks also closed almost flat yesterday with the bourse's benchmark index, CSCX, increasing by only 2.07 points or 0.02 percent to finish the day at 8,535.55 points.

Losers beat gainers as 102 declined, 95 advanced and 39 finished unchanged on the Chittagong Stock Exchange.

The port city bourse traded 65.91 lakh shares and mutual fund units worth Tk 20.58 crore in turnover.