

Attacks take toll on French tourism

AFP, Paris

France's already-battered tourism industry took a further hit in late July during what should have been the height of the season as foreign visitors stayed away after 84 people were killed in Nice on Bastille Day.

In the week following the July 14 attack on the Riviera city's Promenade des Anglais boulevard, arrivals by air slumped 8.8 percent compared to the same period in 2015, according to data from ForwardKeys which daily sifts more than 14 million air travel transactions.

The sector has been struggling for months, not least since the November 13 attacks in and around Paris which claimed 130 lives.

Between January and July 10 arrivals to France by air were down 5.8 percent, and down 11 percent to Paris.

Flight reservations to France following the Nice attack were down 20 percent.

France is the world's top tourist destination and the tourism sector accounts for around nine percent of

GDP.

France had hoped the Euro 2016 football championships would give tourism a shot in the arm -- but has been disappointed.

"Nice wiped out the Euro football effect, which went off well in security terms and polished France's image," said Frederic Valletoux, chairman of the Ile de France regional tourist authority, which covers the Paris region and its environs.

After Nice, President Francois Hollande extended the state of emergency "which doesn't help us -- we continue to see customer numbers contract, especially Americans and Asians," said Valletoux.

He says a consolation is that "French clients seem to be staying firm," even if Herve Becam, chairman of the main hoteliers' union Umih, noted that overall "the trend is not good".

The Cote d'Azur area around Nice, usually a major summer draw, saw hotel occupancy rates fall between five and 10 percent through to latest figures running to last week.

And in Paris, Umih expects a fall

of nearer 20 percent, hitting restaurants as well as hotels.

Other regions have also been hit, including Normandy, where a priest was killed by two jihadists last Tuesday.

Revenue per room for five-star Parisian establishments had been up nine percent before the Nice attacks, but by July 28 was 45 percent below the norm, says Umih's Prestige offshoot -- which adds that Chinese demand has been sorely affected.

"What is new is the disaffection of Chinese clients for Paris and France," noted Umih Prestige, saying that some business congresses scheduled for the second half of the year had been cancelled.

Prior to Nice, July had been looking strong but "the July 14 attack brusquely pushed us down five percent," says Alain de Mendonca, chairman of travel firm Karavel-Promovacances, adding that "people are afraid to go to the airport, to take a plane."

Sector specialist Protourisme believes July hotel stay data will come in four percent down on last year.

"But it could have been worse," said Protourisme chairman Didier Arino, not least given that much of France suffered weeks of unseasonable weather going into July while Air France was hit by a strike at the start of Euro 2016 -- and is now in the midst of another one.

Neighbouring Germany has also seen a spate of recent attacks but has not to date seen suffered a wave of cancellations, a spokeswoman for the German national tourist board told AFP on Friday.

Asked about potential impact, she said "we're in close contact with our representations abroad and we've been watching the reactions -- immediately after the latest attacks there hasn't been any sign of a reaction. There haven't been any cancellations."

May saw a three percent overall rise in hotel stays despite a two percent fall for foreign tourists, German statistical body Destatis reported.

The tourist board blamed that on "different factors" including economic and political instability.

"We were expecting growth to fall, independently of any attacks."



Mohsin Habib Chowdhury, senior general manager for sales and marketing at Berger Paints Bangladesh, speaks at the launch of Berger Young Painters' Art Competition, at a press meet at Gulshan Club in Dhaka on July 31.

Goldman Sachs downgrades equities to 'underweight' over three months

REUTERS

Goldman Sachs has cut its three-month rating on equities to "underweight", saying its risk appetite indicator has turned neutral, which suggests that markets are more vulnerable to growth and policy disappointments.

The downgrade follows a recent rally in risk assets which Goldman said has been

driven by a combination of light positioning into Britain's vote to leave the European Union and a search for yield.

"Given equities remain expensive and earnings growth is poor, in our view equities are now just at the upper end of their 'fat and flat' range," Goldman strategists said in a note.

Goldman remains "neutral" on equities over 12 months and is still "overweight" on cash.



Raj Hoq, CEO of Rangs Properties, poses with the senior officials of the company at a project handover ceremony of Rangs Bliss located at Khilgaon Chowdhurypara, in Dhaka on July 30.

GST tax reform in India prospects boost markets

REUTERS, New Delhi

The prospect of passage of a goods and services tax bill in India has sparked a rally across markets, but analysts say the landmark reform may not provide a sustained boost as recent gains have largely priced in the outcome.

The government is expected to bring up the tax bill this week in Parliament. If passed, the reforms would replace a slew of federal taxes and levies in 29 states, transforming the nation of near 1.3 billion people into a customs union.

Analysts say the move could boost India's economic growth by up to 2 percentage points.

But Indian markets have already posted strong gains. The broader NSE Nifty rose 0.6 percent on Monday to its highest since April 2015.

It has now surged around 28 percent since hitting a near two-year low on Feb. 29, helped as well by hopes about recovering earnings.

Meanwhile, the yield for the benchmark 10-year benchmark bond fell 3 basis points (bps) on Monday to its lowest level since September 2009. It has dropped about 34 bps since Britain's vote to leave the European Union in late June.

Further gains may be difficult, analysts warn, especially as global investors who have underperformed much of the rally could grow cautious over potential U.S. rate hikes and negative surprises from China.

India is also facing a critical month in August as the government gears up to appoint a new RBI governor to replace Raghuram Rajan, who will step

down in early September.

"For India, I think it will continue to hold its position as a relatively positive play for investors, even if it is unable to hold to current scale of gains," said Radhika Rao, an economist with DBS Bank in Singapore.

Gains in India could also be tempered since other Asian high-yielding markets are seen attracting foreign investors.

Overseas funds have bought a net \$2.7 billion of debt and equity from Indian financial markets in July, but that is still below other countries in Asia such as Indonesia and South Korea.

"Other markets like Indonesia and Philippines look more attractive. In India, liquidity is going to drive rates lower," said a senior treasury official with a foreign bank said.

MCCI, textile millers criticise proposal of gas price hike

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The BTMA leaders expressed concern over the proposed gas price hike at a meeting with Mirza Azam, state minister for textiles and jute, at his secretariat in Dhaka on Sunday.

The proposed hike in gas prices for captive power plants, which the spinners use to ensure uninterrupted supply of electricity, will badly hurt the sector, said Fazlul Haque, vice president of BTMA.

The hike will take the price of gas to Tk 19.26 per cubic metre from Tk 8.36 now. The government had already raised the price of gas for captive power plants as recently as September last year from Tk 4.36 per cubic metre to the current rate.

The sector has also been facing a downward price pressure of yarn and fabrics, volatile cotton markets and the negative impact of the Gulshan terror attack on the garment sector, he said. Recently, the Indian government announced a package worth \$900 million for employment generation and promotion of export in the textile and apparel sector, he said.

The package has been launched to improve labour working conditions, give a 25 percent investment subsidy and an income tax waiver to garment makers, he added. India has disbursed \$3.5 billion in funds for factory upgrades between 2000 and 2014.

Factories struggle as world demand sputters

REUTERS, London/Sydney

British manufacturers slammed on the brakes last month after the Brexit vote and growth eased in the euro zone, surveys indicated, with factories in China, Japan and elsewhere in Asia offering only crumbs of comfort.

A US version due later Monday would have to be unexpectedly robust to make up for a downbeat GDP reading released last week.

The latest UK Purchasing Managers' Index, compiled by Markit, will give the Bank of England more impetus to cut interest rates after it surprised markets by holding fire in July but said most policymakers were leaning towards stimulus in August.

"Markit said that the deterioration was widespread across sectors and firm sizes, suggesting that Brexit uncertainty was weighing on many firms. The overall negative tone of the survey reinforces the case for a monetary loosening at Thursday's MPC meeting," said Scott Bowman at Capital Economics.

All but three of 49 economists in a Reuters poll last week expect the Bank to cut interest rates by at least 25 basis points on Thursday, but economists were divided on whether it would restart its bond-buying programme.

Signs of a sharper slowdown in the euro zone, outside powerhouse Germany, may also add to calls for the European Central Bank to loosen policy again after it kept interest rates unchanged last month.

The ECB did leave the door open to more stimulus, highlighting "great" uncertainty and abundant risks to the economic outlook. A Reuters poll found that it will soon be forced to extend and expand the scope of its asset purchase programme.

The fitful global performance was clearly on the mind of William Dudley, a top policy maker at the Federal Reserve, who used a speech in Indonesia to urge caution on raising US interest rates.

Dudley, a close ally of Fed Chair Janet Yellen, warned of potential negative shocks due to the unknown fallout from Britain's vote to leave the EU, a strong dollar, and because it was safer to delay a move with interest rates so low. Global stocks hit their highest in almost a year on Monday as investors pared back expectations of when US interest rates would rise.

Among the slew of surveys out on Monday, the Markit/CIPS UK manufacturing PMI slumped to 48.2 in July from June's 52.4, its lowest since February 2013 and well below the 50 mark that separates growth from contraction.

Data covering the post-Brexit period have been scarce so far but there are signs consumer confidence is struggling and a Reuters poll of economists suggested Britain will slide back into recession in the coming year.

A factory PMI for the euro zone fell to 52.0 in July from 52.8, just beating a flash estimate of 51.9, but compiler Markit said the modest

reduction masked the fact that growth was looking increasingly lopsided and centered in Germany.

Further afield, China's official PMI slipped a tick to 49.9 in July.

"Today's data do not bode well for GDP growth," wrote ANZ economist Louis Lam in a note.

"The traditional manufacturing sector is likely to continue to face strong headwinds as efforts to reduce overcapacity continue," he added. "Thus, we expect the authorities to maintain an accommodative monetary policy."

There was better news from the private Caixin version of the PMI, which covers a greater share of smaller firms, where the index picked up to 50.6 in July, from 48.6 in June. That was the first expansion in 17 months.

Also promising was China's huge services sector, where the official measure showed a slight pick-up in activity in July. Beijing is counting on a transformational shift to services to make up for persistent woes in manufacturing.

But in Japan, a painfully high yen led new export orders to shrink at the fastest pace in more than 3-1/2 years, according to IHS Markit/Nikkei. While the overall PMI nudged up to 49.3, it remained in contractionary territory. Stocks in Japanese exporters were already under fire after the Bank of Japan decided against bold monetary easing last week, confounding expectations and sending the yen soaring.

Regulator warns insurers on spending overruns

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First generation insurance companies that have been doing business for over two decades were also found to have over-shot their expenditure limit.

For example, Popular Life's over expenditure was more than Tk 293 crore in the last seven years, Fareast Life's Tk 200 crore, Golden Life's Tk 156 crore, Pragati Life's Tk 147 crore and Sandhani Life's Tk 156 crore.

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 9 percent in 2015 from 12 percent and 18 percent in 2014 and 2013 respectively, he said. It was 31 percent in 2012.

"The cost will be brought down to the allowable limit in five years as per IDRA guideline," Ali said, adding that the credit goes to the regulator that has been persuading insurers to effectively use the policyholders' money. He, however, questioned the calculation of the additional management spending.

"Our investments with the central bank (bonds) and other commercial banks are kept out in measuring the management expenses. If it is included in the calculation, insurers' management costs will come down significantly," said Ali.

Also, there are some companies that keep their management expenses within the limit of the law. For example, in the non-life category, Reliance Insurance and Asia Pacific Insurance spent Tk 2.56 crore and Tk 2.41 crore less than their total allowable limits in the seven-year period.

In the life insurance segment, MetLife spent nearly Tk 28 crore less than its limit during the period.

Stressed loans still a major risk to banking

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For this, the internal risk management of the banks has to be intensified. To intensify monitoring, a Central Database for Large Credit or CDLC has been established, Kabir said.

Bangladesh Bank Deputy Governor SK Sur Chowdhury said one of the highlights of 2015 is the initiation of banking sector's move toward BASEL III capital and liquidity frameworks under the supervision of the central bank.

It is hoped that the transition will help strengthen the capital base and liquidity position of banks and provide adequate resilience in the face of any unexpected instability threats, he said. Another important development was the decline in gross NPL ratio in the banking industry and the increase in banks' profitability.

The BB deputy governor said considerable stress in asset quality in the form of rescheduled and restructured loans remains a concern. In this context, BB has established a CDLC for early identification of vulnerabilities of large non-financial corporate and examining remedies in case of their defaults.

IDLC Finance's profit rises 8pc

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It opened four new branches during the first half, while relocated two of its major operations to bigger and better premises -- one in Gulshan and another in Dilkusha commercial area.

Khan said they started a new company named IDLC Asset Management, which is expected to further strengthen the capital market operations along with two other existing subsidiaries -- IDLC Investments and IDLC Securities.

IDLC Asset Management will carry out the business of asset management, primarily through launching and managing mutual funds to cater for the diverse needs of investors.

It also aims to facilitate alternative investments in terms of private equity and venture capitals in future.

Khan said: "We remain optimistic about the macro economic outlook and want to make sure that we are well-positioned to take full advantage of the economic prosperity, especially in the SME segment."

IDLC was listed on the stockmarket in 1992. Each IDLC share was traded between Tk 58.6 and Tk 59.7 on the Dhaka Stock Exchange yesterday before closing at Tk 59.

Sponsors own a 59.66 percent stake in IDLC, institutional investors 23.31 percent, foreign investors 3.44 percent and the general public 13.59 percent.



Ali Reza Iftikhar, managing director of Eastern Bank, and Rupali Chowdhury, managing director of Berger Paints Bangladesh, pose at the launch of a corporate travel and entertainment payments solution—a MasterCard prepaid card co-branded by the bank and Berger—for the employees of Berger Paints.

PM approves Robi-Airtel merger

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In the merged entity, Axiata, the parent company of Robi, will hold a 68.7 percent controlling stake, Bharti Airtel 25 percent and NTT DOCOMO of Japan 6.3 percent.

Currently, Malaysia-based Axiata has 91.59 percent stakes in Robi and Japan's DOCOMO 8.41 percent, meaning both their shares in the Bangladeshi operation will be diluted after the merger.