

Saudis, oil majors discuss gas investments ahead of giant IPO

REUTERS, London/Dubai

Saudi Arabia and international oil companies have discussed gas venture opportunities inside the kingdom and abroad as part of the top crude-exporting country's drive to diversify investments before the listing of national energy giant Saudi Aramco.

Saudi officials explored investment opportunities with firms including BP and Chevron to help develop its gas reserves, the world's sixth largest, at a time of booming energy demand at home, four industry sources told Reuters.

Aramco has also looked into investing in gas ventures abroad, including with Italy's Eni, the sources said.

The development revives memories of talks between Aramco and global majors at the end of the 1990s and early 2000s, known as the Saudi gas initiative. Most of those talks collapsed as the parties disagreed over returns on investment.

This time, Aramco is gearing up for a share listing next year, aiming to get a valuation of up to \$2 trillion in what could be the world's biggest initial public offering (IPO).

Chevron, BP, Aramco and Eni declined to comment on talks.

"We have a long-standing relation-

ship with Saudi Arabia, so it is not uncommon for us to talk to them. We're always having discussions about business development. I don't have anything particular to say about Saudi Arabia," Chevron CEO John Watson told Reuters last week.

BP Chief Executive Bob Dudley, who traveled to Saudi Arabia at the end of last year, said this year he wouldn't rule out "creative partnerships" with Aramco but that an outright investment by BP in the IPO was unlikely.

The kingdom has a long-term goal of increasing the use of gas for domestic power generation, thus reducing oil burning at home and freeing up more crude for export.

This could help increase Aramco's valuation as it generates more revenue from exports than selling oil at lower domestic prices - Saudi Arabia is the world's fifth-biggest oil consumer despite being only the 20th-biggest economy.

Saudi Energy Minister Khalid al-Falih, who is also Aramco's chairman, said last year that Aramco was interested in investing in international upstream ventures, particularly gas, and could invest in importing gas into the kingdom.

Diversifying gas assets abroad would help Aramco achieve a better

valuation and is attractive for investors, industry sources said. Riyadh also plans to raise domestic gas prices, a move seen as an incentive for foreign companies. Aramco is preparing to reveal in the next few months a new gas strategy aimed at developing resources to keep pace with rising domestic demand, sources familiar with the discussions said.

It comes as part of the kingdom's push to diversify its economy away from oil, a strategy known as "Vision 2030", amid a global drive to phase out the most polluting fossil fuels.

Aramco wants nearly to double gas production to 23 billion standard cubic feet a day in the next decade.

"IOCs (international oil companies) are waiting for that (strategy) to make their decisions," one industry source familiar with the matter said.

Another industry source said Energy Minister Falih had said in private meetings with Western oil executives that he wanted Aramco to partner with other companies in upstream projects.

Two Saudi-based industry sources familiar with the discussions said BP's Dudley had expressed an interest in investing in gas exploration in the Red Sea. However, the two sides have yet to hold any talks on the project.



Eric S Chowdhury, director of Square Group, opens the ninth outlet of Krispy Kreme, at Square Hospitals at Panthapath in Dhaka yesterday. Salman Karim, managing director of Orion Group, was also present. Orion has signed a franchise deal to develop and operate the outlets in Bangladesh.

KRISPY KREME

Yellen warns Fed's independence under threat

AFP, Washington

The US central bank's shield from political interference is "under some threat" from Congress, a prospect that could erode progress in the economy, Federal Reserve chief Janet Yellen warned Monday.

Research shows that countries that allow the central bank independence in setting monetary policy "tend to enjoy stronger macroeconomic performance," Yellen said in a discussion at the University of Michigan.

The US Congress "very wisely" passed a law that afforded that independence to the Fed in the 1970s, but it is threatened by proposed legislation that would either audit the Fed's decisions or require it to follow a strict mathematical formula to set interest rates.

"I always worry about threats to our independence," Yellen said.

While she did not mention US President Donald Trump, he was highly critical of the Fed during the election campaign last year.

"I do think independence of a central bank to make decisions about monetary policy, free of short-term political pressures, is very important and results in better decision making, focused on the long-term needs and health of the economy," Yellen said.

This does not mean the Fed lacks accountability or transparency, she said, noting that she is required to testify before

Congress twice a year, and holds regular news conferences in addition to publishing the minutes of the policy meetings.

Yellen said the economy currently is "pretty healthy," as it continues to gradually improve in the wake of the 2008 global financial crisis. But it will be key for the central bank to not allow inflation to accelerate too quickly.

She repeated the central bank's expectation that it will need to raise interest rates only gradually to keep inflation hovering around the two percent target.

"But we don't want to wait too long" to get to a neutral point where the interest rate is no longer stimulating the economy.

She cautioned that "if the economy ends up overheating and inflation were to rise well above target, we don't want to be in position to have to raise rates rapidly which could conceivably cause a recession."

"We want to be ahead of the curve not behind the curve," she said.

The Fed has raised interest rates twice in recent months, after the initial hike in December 2015 moved the key lending rate off zero for the first time since December 2008.

Not only is inflation near the Fed's two percent target, the unemployment rate has fallen to 4.5 percent, which she said is lower than what central bankers generally consider to be "full employment."

New head of marketing for GPH Ispat



STAR BUSINESS DESK

Galib Mohammad has recently been appointed as the head of marketing and sales for GPH Ispat Ltd.

Prior to joining GPH Ispat, Mohammad worked for Anwar Group as head of marketing and communication for its building material division. He also worked for Crown Cement, an associate concern of GPH Ispat, as deputy general manager for research, planning, brand and business development, GPH Ispat said in a statement yesterday.

He is an ex-cadet of Jhenidah Cadet College and holds an MBA from the Institute of Business Administration of Dhaka University.



From left, Sara Zaker, group executive vice chairperson of Asiatic 3sixty; Asif Ahmed, head of corporate communications at Banglalink; AK Rahath Ahmed, head of marketing communications, and AKM Sadeque Nawaj, general manager for marketing at Berger Paints Bangladesh, attend a press briefing to announce a festival—Alponay Bangladesh—in Dhaka on Monday. Asiatic EXP, Banglalink and Berger Paints Bangladesh are organising the event in Dhaka, Chittagong, Khulna, Rajshahi, Barisal and Mymensingh.

BERGER PAINTS BANGLADESH

India March inflation seen edging up closer to RBI's mid-term target

REUTERS, Bengaluru

India's inflation is seen climbing to within touching distance of the Reserve Bank of India's 4 percent medium-term target in March, driven by higher food costs, a Reuters poll found, backing policymakers' decision last week to move to a defacto tightening bias.

Having sunk to its lowest level for at least five years in January, consumer price inflation is expected to have risen to 3.98 percent last month from February's 3.65 percent, according to the median forecast of 30 economists. The March inflation rate is due to be released at 1200 GMT on April 12. "Inflation is likely to pick up in March, backing the central bank's stance to keep rates on hold last week," wrote Radhika Rao, economist at DBS Bank.

"In March, cereal and pulses eased but perishables were up. Adverse base effects will underpin the fuel and commodity related components, though the sharp rupee gains will help cap imported price pressures."

Signaling its worries about inflation, the Reserve Bank of India surprised markets last week in raising the secondary reverse repo rate by 25 basis points to 6.00 percent. It kept the key policy repo rate unchanged at 6.25 percent.

India's central bank raised its inflation projections for the 2017/18 fiscal year starting April, expecting the index to average 4.5 percent in the first half and 5.0 percent in the second, taking it above the RBI's medium-term target.

Such an uptick in prices could force the RBI, which ended a long easing cycle in February by changing its policy stance to neutral from accommodative, to raise interest rates for the first time in over three years.

Stocks continue to fall for fifth session

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LankaBangla Finance dominated the turnover chart with 68.85 lakh shares worth Tk 44.55 crore changing hands, followed by Brac Bank, IDLC, City Bank and Evince Textiles.

Among the major sectors, telecommunication gained the most - 1.33 percent - in market capitalisation, followed by general insurance that increased 0.48 percent, cement 0.17 percent and fuel and power 0.12 percent.

Conversely, life insurance took the biggest hit - 0.93 percent - in market capitalisation, followed by banks that declined 0.35 percent and non-banking

financial institutions 0.25 percent.

Fareast Finance and Investment was the day's best performer with 12.61 percent in gains, while Brac Bank was the worst loser, shedding 18.93 percent.

Chittagong stocks also fell yesterday with the bourse's benchmark index, CSCX, slightly declining 9.32 points or 0.08 percent to finish the day at 10,675.07 points.

Gainers however beat losers as 113 advanced and 87 declined, while 40 finished unchanged on the Chittagong Stock Exchange.

The port city bourse traded 1.67 crore shares and mutual fund units worth Tk 44.78 crore in turnover.

Banks step up efforts to cut cost of funds

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"That investment is now helping the bank grow its CASA ratio heavily," Khan said, adding that the launch of 20 agent banking centres over the last 8 months will also contribute to the growth of CASA ratio in future.

The issue of managing the cost of funds has come to the fore in recent years, especially after the growing competition among banks to grab good borrowers, said Ehsan Khasru, former managing director of Prime Bank and an adviser of Premier Bank.

Jamuna Bank, which is a third generation private bank, has also emphasised on

boosting its CASA ratio. The bank's CASA ratio edged up to 20 percent in 2016 from 18 percent a year earlier.

"There is no option other than managing the cost of funds to remain competitive in the market," said Shafiqul Alam, managing director of Jamuna Bank.

Alternative delivery channels and reputation help a bank get low-cost deposits, he said.

At Pubali Bank, the largest private bank in terms of branch network, high-cost deposits accounted for 35 percent of the funds in 2016, down from 40 percent a year earlier, said Abdul Halim Chowdhury, its managing director.

Temporary staff run insurance regulator

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They were all employed by the IDRA in 2011 and 2012 as temporary employees. They are only getting salaries. There is no provident and gratuity funds for them, unlike other government employees.

"We are doing our best to regulate the insurance industry, which was widely unregulated. Now we see that our jobs are up in the air," said another official.

The IDRA's daily activities are also being hampered as only two members, including the chairman in-charge, are there against five positions.

"It is really difficult for us to regulate and develop the complex insurance industry with this manpower," Das said.

Bangladesh yet to benefit from second submarine cable

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"If we get services from the second cable at competitive prices, we will not use imported bandwidth," said Imdadul Haque, general secretary of Internet Service Providers Association of Bangladesh (ISPAB).

He requested the government to reduce the price disparity between imported and local bandwidth. Currently, one Mbps of local bandwidth costs about Tk 700, which is around Tk 500 for imported bandwidth.

To address the issue, BSCCL has started a process to reduce the price of its bandwidth by around 20 percent, said Hossain, its MD.

The second submarine cable project costs Bangladesh Tk 660.64 crore; BSCCL took a loan of \$44 million from the Islamic Development Bank.

Repayment in instalments will begin in October 2017. "Had we been connected earlier, it would have helped us in repayment," Hossain added.

Bangladesh got its first submarine cable connection -- SEA-ME-WE-4 -- in 2006.

Banks need a central database of collateral

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Chowdhury suggested that banks resolve the disputes through Alternate Dispute Resolution (ADR) and arbitration instead of the courts to avoid procrastination.

Abu Hena Mohd Razee Hassan, deputy governor of Bangladesh Bank, attended the programme as chief guest and Toufic Ahmad Choudhury, director general of BIBM, chaired the session.

CONFERENCE 2017

Let's Grow Together

SALES CONFERENCE

Venue: Hotel Sea Palace, Cox's Bazar
Date: April 6, 2017

OLYMPIC INDUSTRIES

Top officials of Olympic Industries Ltd attend the annual sales conference 2017 of the company at Hotel Sea Palace in Cox's Bazar on April 6.



Md Ali Hsan Babu, director for marketing and sales at Biman Bangladesh Airlines, and Taufiquddin Ahmed, president of Tour Operators Association of Bangladesh, attend a deal signing ceremony at the head office of Biman in Dhaka on Monday. Biman Bangladesh Travel and Tourism Fair 2017 will be organised at Bangabandhu International Conference Centre in Dhaka on April 20.

BIMAN