

Australia's sky-high household debt a ticking time bomb

AFP, Sydney

Australians are racking up extreme levels of debt to buy homes that are among the world's most expensive, a ticking time bomb that could wreck the economy if it is hit by a sudden shock, experts warn.

While the country is one of the best-performing developed global economies, soaring property prices have also made it a world-beater in household debt. The nation has a household debt-to-GDP ratio of 123 percent, largely housing debt -- second only to Switzerland, according to the Bank of International Settlements.

Those levels exceed the US, Spain and Ireland before their property market crashes, global ratings agency Moody's said in a report this month, warning Australians also held limited liquid assets.

"Australians have borrowed up a storm, and housing prices in this nation are now dangerously dumb," prominent Australian economist Chris Richardson said this month.

"Compared with the global financial crisis, our vulnerabilities are higher, our defences are weaker."

Such dire warnings contrast with Australia's recent economic experience, with the country on course for a record 26 years without a recession.

It fared well during the 2008 financial crisis, aided by its largest trading partner

China's hunger for commodities.

But interest rates have been slashed to a record-low 1.50 percent to boost growth as Australia shifts from a dependence on mining-driven expansion, heating up the housing market.

Sydney's median house price is Aus\$1.1 million (US\$830,000) and nationally prices have soared 250 percent in real terms since the mid-1990s, the OECD said in March. However, wage growth has been tepid recently, forcing people to spend a higher proportion of their incomes on mortgages.

Reserve Bank of Australia governor Philip Lowe issued a blunt warning this month that "stretched balance sheets make for more volatility when things turn down".

"In some cases, lenders are assuming that people can live more frugally than in practice they can, leaving little buffer if things go wrong," he added.

Modelling by National Australia Bank found difficulties could kick in if the jobless rate, currently at 5.9 percent, rises to 8.5 percent, chief economist Alan Oster said. "As a bank, what we do is we look at unemployment by postcode," Oster told AFP.

"And what we find is there is around 50 postcodes where we personally don't want to lend much," he said, adding that areas that benefited from the mining boom were now struggling as investment falls.

Analysts said a financial crisis wors-

ened by severe household debt would take on a different flavour in Australia.

In the US during the 2008 crisis, homeowners walked away from mortgages when situations turned sour.

But Down Under -- home to the "Great Australian dream" of owning property -- locals go to great lengths to avoid defaulting on loans.

"Australians will take their kids out of private school, they'll sell their car, they'll not go on holidays... they'll do whatever they feasibly can to avoid defaulting on their mortgage," independent economist Saul Eslake told AFP.

"The risk is that if interest rates go up, people will be forced to spend more servicing their mortgages, and thus have less to spend on other things. It's a risk to economic growth, not a risk to financial stability."

Most of the debt is held by the richest 20 percent, while banks' bad debt ratios were low, Oster added. Financial institutions are meanwhile viewed as well-capitalised and able to withstand adverse shocks.

At the same time, Australia is one of the world's most urbanised developed nations despite being the sixth largest country by land mass, concentrating property purchases in built-up areas.

Coupled with local laws stifling development and population rises boosted by immigration, demand has grown faster than supply in big cities.



Officials of Olympic Industries Ltd launch a new product—Olympic Black Cream Sandwich Biscuit—of the company at the National Press Club in Dhaka yesterday.

OLYMPIC INDUSTRIES

P&G cites rocky geopolitics as earnings decline

AFP, New York

Procter & Gamble reported declines in both sales and profits Wednesday, saying challenging geopolitical and economic conditions hit consumer demand.

The maker of Tide detergent and Head & Shoulders shampoo reported earnings in its fiscal third-quarter of \$2.5 billion, down 8.3 percent.

Revenues were \$15.6 billion, down 1.0 percent.

"The third quarter macro environment was characterized by a slowdown in market growth, continued geopolitical disruptions and foreign exchange challenges," said chief executive David Taylor.

P&G's strongest division as far as revenues was health care, the only division with net sales growth, where results were boosted by strong sales in power toothbrushes and oral products.

IDLC Finance's net profit soars 67pc

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"In the first quarter, our NPL or non-performing loan ratio fell to 2.79 percent compared to 2.98 percent at the end of December 2016 and 3.06 percent at the end of the first quarter of 2016," he said while disclosing the earnings at a function in Dhaka yesterday. "NPL management will remain a priority for us in the coming days as well," he said.

The company's operating income rose 30 percent year-on-year to Tk 165.9 crore at the end of March. The earnings per share reached Tk 1.8, up from Tk 1.11 a year ago.

During the January-March period, IDLC acquired 3,169 new customers, while the customer assets portfolio grew 9 percent to Tk 6,765.1 crore.

The growth in customer assets was driven primarily by SME loans, which

experienced 11 percent growth during the period. He, however, said, "Since interest rate is declining and customers are negotiating for lower rates, it has become a buyer-driven market."

Khan said IDLC will open four new branches this year -- in Rajshahi, Barisal, Chowmuhany and Dhaka.

The company is also planning to launch a Tk 50-crore open-end mutual fund styled "IDLC Balanced Fund" this year.

IDLC was listed on the stockmarket in 1992. Each IDLC share traded between Tk 71.8 and Tk 75 on the Dhaka Stock Exchange yesterday, before closing at Tk 74.

Sponsors own a 59.66 percent stake in IDLC, institutional investors 20.54 percent, foreign investors 4.04 percent and the general public 15.76 percent, according to DSE data.

Internet price cuts in the works: Tarana

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"We are trying to get an outcome within the next six months."

The telecom and gateway operators were also asked to share their total costs for providing internet service to consumers within two days, she said.

The minister also asked the mobile operators to stop their current practice of offering data packages at discounted rates or free of charge to those who occasionally use the internet on their phones.

Rather, the regular mobile internet

users should be rewarded with lower rates.

"Our main target is to reduce the cost of mobile internet usage as a huge number of users are accessing the internet through their handheld devices."

As of February, the country's total active internet connections stand at 12.96 crore. Of the number, 5.93 crore are mobile internet connections, according to a report of the Bangladesh Telecommunication Regulatory Commission.

Govt to rescue Teletalk

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Tarana, however, disputed the development. "Right now, the government has no plans to merge Teletalk with any other company. Rather, the prime minister has asked us to expand the operator's network coverage and improve its service quality," she told The Daily Star after the meeting.

Tarana went on to cite the Tk 675 crore that Hasina has sanctioned for Teletalk's network expansion on Tuesday as a case in point of the prime minister's commitment to the venture.

"The option of merger with a foreign party was earlier discussed. But at the meeting we were able to convince the prime minister and she gave us the green signal."

The prime minister has a vision of delivering mobile service to the remotest parts of the country through the state-owned operator, according to the state minister. "She is convinced of Teletalk's potential," Tarana said.

"If these dues are counted as government equity it will be a great relief to us and we can move on to plan for 4G then," Quddus said.

The government has so far invested Tk 3,500 crore in Teletalk, and after getting the fresh equity investment the amount would soar to Tk 7,000 crore.

The move would also put the state-owned operator on a solid footing to compete with the other operators.

has more than Tk 30,000 investment. Without injecting funds, it would be impossible for us to fight in the market," Quddus said.

Under the Tk 675 crore approved on Tuesday, the state operator will establish 1,500 3G sites and 1,000 2G sites, mostly targeting the growth centres and educational institutions, said a top official of Teletalk.

Currently, the operator has about 1,700 3G sites, with another 1,500 3G sites expected to be up and running by June next year.

"After the completion of these two projects, Teletalk will become a competitive player," the official said.

At present, Teletalk has 40 lakh active customers out of the industry total of about 13 crore.



Gowher Rizvi, international relation affairs adviser to the prime minister, launches the report on "Dhaka summit on skills, employability and decent work 2016", at the conference hall of Bangladesh Employers' Federation yesterday.

No end in sight for Japan crisps crisis

AFP, Tokyo

Legions of Japanese crisps addicts are suffering and it doesn't look like they'll be getting their full fix anytime soon.

The country is in the midst of a dire crisps shortage after violent typhoons wiped out potato crops in top tuber producing Hokkaido.

The unprecedented series of storms last year has forced chipmakers Calbee and rival Koikeya to halt production of some of their most popular flavours -- including pizza and French salad.

Pictures online have shown store shelves bare and bags have been selling for inflated prices on Internet auctions.

Calbee, Japan's top snacks maker, has stopped selling about 30 kinds of crisps in all or part of the country since the middle of April.

"We don't know when we'll be able to restart," company spokesman Masaya Kawase told AFP on Wednesday. "Potatoes are only harvested once a year."

China factory sector expansion seen slowing in April

REUTERS

The pace of expansion in China's manufacturing sector likely slowed in April, a Reuters poll showed, as factory-gate price lost steam and authorities moved to tackle risks in the property market and credit growth.

In March, the index hit 51.8, its highest reading in nearly five years.

The world's second-largest economy grew a faster-than-expected 6.9 percent in the first quarter, boosted by higher government infrastructure spending and a gravity-defying property boom.

But growth is expected to lose steam as authorities step up a battle to cool the property sector while the central bank and banking regulator have take steps to contain financial risks. "Producer price inflation is cooling and strict financial supervision could affect funding for investment," said

Zhang Yiping, an economist at Merchants Securities in Shenzhen.

The central bank is expected to guide short-term interest rates higher, and step up its oversight of the financial sector, amid a crackdown on banks' shadow banking businesses.

Some analysts believe China's economic growth may have peaked in the first quarter but it's on track to hit a target of around 6.5 percent this year.

China's producer price inflation cooled for the first time in seven months in March as iron ore and coal prices tumbled, while property sales growth slowed in the first quarter despite robust property investment.

The housing boom has been a key driver of China's stronger-than-expected economic performance in recent months, but analysts believe it may also pose the single biggest risk to growth this year.

BB puts cap on dollar rate for importers

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The inter-bank exchange rate was Tk 80.1 for a dollar yesterday. So, banks would have quoted the exchange rate for import payments at Tk 82.1.

The central bank will inject dollars into the market today to stabilise it, said another treasury official of a private bank.

The average BC selling rate was Tk 80.84 a dollar on April 11, which rose to Tk 83.66 yesterday, shows data from BAFEDA.

Though a weak taka against the dollar cheers remitters and exporters, it makes imports costlier, which might raise prices of commodities ahead of Ramadan next month. Letters of credit worth over \$4.3 billion were opened for imports in March, which is a

growth of 21 percent year-on-year, shows BB data.

According to bankers, imports continued to grow in April as well for the upcoming month of Ramadan. The pressure for payments also played a role in appreciation of the dollar rate, said treasury officials.

"We asked the treasury officials to be rational. If the import cost rises, consumers will be affected during Ramadan," said a senior BB official, who was present at the meeting.

He also hinted at BB's intervention in the market to stabilise the exchange rate.

"We are scrutinising whether any bank is trying to benefit from the present market," he said, requesting anonymity.



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উন্নয়নের গণতন্ত্র
শেখ হাসিনার মূলমন্ত্র

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e-Tender Notice

e-Tenders are invited in e-GP Portal (<http://www.eprocure.gov.bd>) by Project Director, Improvement of Urban Road Infrastructure and Drainage System of newly added Shaympur, Dania, Matuail & Sarulia area under DSCC for the procurement of following package, which will be available at e-GP website from 24/04/17 4.45pm.

Sl No.	Tender ID, Ref No. & Package No.	Name of works	Last selling date and time	Tender closing date & time
1	Tender ID-97236 Ref: 46.207.14.21.14.31.2017/1 Package No.-egpdscc/iurids/P03	Improvement work of Road & Drain at Shaympur Wasa Road (from Bikrom Plaza to Wasa Treatment Plant via Baritala).	22/05/2017 5.00pm	23/05/2017 14:00 noon
2	Tender ID-97237 Ref: 46.207.14.21.14.40.2017/1 Package No.-egpdscc/iurids/P10	Improvement work of Road & Drain at Munshibag areas lane by lane.	22/05/2017 5.00pm	23/05/2017 14:00 noon
3	Tender ID-97239 Ref: 46.207.14.21.14.44.2017/1 Package No.-egpdscc/iurids/P12	Improvement work of Road & Drain at Nama Shaympur areas lane by lane.	22/05/2017 5.00pm	23/05/2017 14:00 noon
4	Tender ID-97241 Ref: 46.207.14.21.14.32.2017/1 Package No.-egpdscc/iurids/P16	Improvement work of Road & Drain at Abdullapur area, Gobidopur Bazar, Bagan Bari areas lane by lane.	22/05/2017 5.00pm	23/05/2017 14:00 noon
5	Tender ID-97242 Ref: 46.207.14.21.14.33.2017/1 Package No.-egpdscc/iurids/P17	Improvement work of Road & Drain at Rayerbag areas lane by lane.	22/05/2017 5.00pm	23/05/2017 14:00 noon
6	Tender ID-97243 Ref: 46.207.14.21.14.38.2017/1 Package No.-egpdscc/iurids/P18	Improvement work of Road & Drain at Daniya Main road (from Dhaka-Narayanganj main road to Medihope Hospital)	22/05/2017 5.00pm	23/05/2017 14:00 noon
7	Tender ID-97244 Ref: 46.207.14.21.14.46.2017/1 Package No.-egpdscc/iurids/P28	Improvement work of Road & Drain at Molla Bari Road, Doctor Bazlu Rahman Road and Kajirgaon areas lane by lane.	22/05/2017 5.00pm	23/05/2017 15:00 noon
8	Tender ID-97246 Ref: 46.207.14.21.14.45.2017/1 Package No.-egpdscc/iurids/P30	Improvement work of Road & Drain at Muktijodda Rafiqul Islam Road & areas lane by lane (from Dhaka-Chittagong Road to Khan Bag Chourasta to Dhaka-Chittagong Road).	22/05/2017 5.00pm	23/05/2017 15:00 noon
9	Tender ID-97252 Ref: 46.207.14.21.14.34.2017/1 Package No.-egpdscc/iurids/P34	Improvement work of Road & Drain at 1 No. Master Road, Moshjid Enuri Road & Shajalal Road areas lane by lane.	22/05/2017 5.00pm	23/05/2017 15:00 noon
10	Tender ID-97254 Ref: 46.207.14.21.14.43.2017/1 Package No.-egpdscc/iurids/P35	Improvement work of Road & Drain at Hijbullah Road, Chistiya Road, Nurani Moshjid Road and Al-Amin road areas lane by lane.	22/05/2017 5.00pm	23/05/2017 15:00 noon
11	Tender ID-97255 Ref: 46.207.14.21.14.42.2017/1 Package No.-egpdscc/iurids/P36	Improvement work of Road & Drain at Santibag, Modhubag, Samsul Hoque Khan School & College lane by lane.	22/05/2017 5.00pm	23/05/2017 15:00 noon
12	Tender ID-97259 Ref: 46.207.14.21.14.30.2017/1 Package No.-egpdscc/iurids/P37	Improvement work of Road & Drain at Matuail Medical Road, Mouslim Nagar, Aman Nagar Mintu Chatter lane by lane.	22/05/2017 5.00pm	23/05/2017 15:00 noon

This is an online tender, where only e-Tenders will be accepted in e-GP Portal and no offline/hard copies will be accepted. To submit e-Tender, please register on e-GP System Portal (<http://www.eprocure.gov.bd>).

Kazi Md Borhan Uddin
Project Director
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DSCC/PRD/132/16-17
GD-885