

Hopes of 'Trump-o-nomics' vs slow-growth reality

AFP, Washington

US President Donald Trump's economic and tax agenda assume growth in the world's largest economy will see a sustained rebound to double the current rate.

But analysts are casting doubt on that goal given the current tepid pace of the American economic expansion, as well as limitations on the potential to fuel growth -- especially without also igniting inflation.

While the Commerce Department on Friday revised the estimate of first quarter growth up by a hearty half-point to 1.2 percent, that is still well below the 2.1 percent in the final quarter of 2016.

First quarters are generally slower than the rest of the year, and consumption in the January-March period while doubling to 0.6 percent growth, was still at its lowest point since the end of 2009.

Business investments were stronger, thanks in no small part to a stunning 28.4 percent spike in spending on structures, like oil wells and mines, a sector the Trump administration hopes to boost.

But "Trump-o-nomics" is founded on the belief that growth will hit three

percent and stay there for a decade.

Indeed, this assumption underlies the Trump administration's recent fiscal plans.

Economists do expect growth to pick up in the second quarter, with the Atlanta Federal Reserve Bank's "nowcast" on Friday predicting expansion at an annual rate of 3.7 percent.

"Second quarter growth could be in the three percent range, but that would still only mean the first half growth rate was not much more than two percent," economist Joel Naroff wrote in a research note.

"If the economy is going to grow at three percent for as long as the eye can see, businesses better spend lots of money on capital goods," he continued. "Well, that is not happening."

The Trump administration expects to goose the economy by slashing taxes and regulations and favoring exports.

"I've heard lots of economists tell us why that's not going to be the case," Treasury Secretary Steven Mnuchin said Thursday in Senate testimony.

"But we are committed to having policies to get us back to what are appropriate growth rates in this country."

Still, history does not help his case: on average since 2000, annual growth

in the United States has not exceeded two percent, thanks to the Great Recession of 2008-2009, sluggish productivity growth and an aging population.

And the problem of an older population cannot improve if Trump continues to pursue the harsh immigration practices he campaigned on.

Over the period since 1947, annual growth averages 3.2 percent.

Mnuchin was put on the defensive in a recent Congressional hearing by Democrats who faulted the math in the draft budget released last week.

Some vigorously derided the administration's double counting of growth projections.

Mnuchin repeated the White House position that the tax cuts will finance themselves without increasing the deficit thanks to higher economic growth which in turn will be generated by the tax cuts.

This is a mathematical leap that "would make Bernie Madoff blush," Democratic Senator Ron Wyden said, invoking the infamous Wall Street swindler, responsible for the biggest Ponzi scheme in history.

New Jersey Senator Bob Menendez called the calculations "very nebulous."



Fazle Akber, CEO of Regent Airways, poses with the new Boeing 737-800 aircraft of its fleet, at Hazrat Shahjalal International Airport in Dhaka on May 27.

Beijing bling: Hyundai plots China branding reboot

REUTERS, Seoul/Beijing

Bruised by anti-Korean sentiment in its biggest market and losing ground to local automakers, Hyundai Motor will open its first Chinese brand store, and may locally assemble its premium Genesis cars and accelerate the launch of a sport-utility vehicle (SUV), people familiar with the plans said.

The measures are aimed at rebooting the South Korean firm's branding in China, where many see Hyundai as a lower-end maker of city taxis.

Hyundai and its affiliate Kia Motors were not long ago ranked third among foreign car brands in China, but recent sales have been hit by a consumer backlash over South Korea's deployment of a U.S. anti-missile defence system which Beijing opposes.

Analysts say the diplomatic row marks broader problems for Hyundai/Kia in China: poor brand recognition and a model line-up struggling against local brands' cheaper SUVs.

"Hyundai has an in-between brand that doesn't have a clear identity in China, and there's the backdrop of poor China-Korea relations," said James Chao, Shanghai-based Asia-Pacific chief of consulting firm IHS Markit Automotive.

"Newly introduced SUVs should help, but they are late to the game."

Even before the missile systems row, Hyundai/Kia's China market share tumbled to 8.1 percent last year, the lowest in eight years. This year, it has slid further to 5 percent.

To help its identity crisis, Hyundai will in September open a brand experience centre in Beijing's 798 Art District, a trendy hub of refurbished factory buildings. Hyundai has three similar centres in Seoul and one in Moscow.

"We're not going to show a real car. This space is only for focusing on brand building," Xu Jing, the Hyundai executive in charge of the project, told Reuters.

The centre was planned before the recent political tensions, but its completion is now a key plank in Hyundai's efforts to regain a lost position in China as local automakers and European brands gain ground. Volvo-owned Geely and Great Wall Motor are also looking to move upmarket.

The branding store ventures into territory traditionally held by premium names such as Daimler's "Mercedes me" stores and BMW's brand centres, already in China.

Hyundai is also considering using complete knock-down (CKD) kits shipped from South Korea to assemble Genesis cars in China - more than halving import tariffs to 10 percent - two people familiar with the matter said.

Building Genesis cars from kits in China would also prevent technology leaking to its local joint venture partner, BAIC, one of the people added.

The kits are a first step, said one Hyundai insider. "We are agonizing over how to source local parts and secure enough sales to build the Genesis cars."

Hyundai launched its Genesis luxury sedan in 2008, and two years ago spun it off with the larger Equus sedan into a standalone premium brand. Brand chief Manfred Fitzgerald said last year Genesis would launch in China within 2-3 years.

Hyundai has not decided which Genesis model it will build in China first, but plans to have six models including a sports sedan and two SUVs under the premium marque by 2020.

"While the Genesis brand is reviewing a variety of strategies for the China market, no specific decisions have been made yet," Hyundai said in a statement.

Hyundai sold 74 Genesis sedans in China last year, down from 1,016 in 2015. It sold a single Equus, down from 10 the previous year, according to export data seen by Reuters.

Hyundai may also bring forward by a month, to November, the launch of a small SUV, codenamed NU, to be built at its fourth factory in China, one of the people told Reuters.



Hassan O Rashid, additional managing director of Eastern Bank (EBL), and Syed Hammadul Karim, vice president of MetLife Bangladesh, exchange the signed documents of a deal at a programme in Dhaka. Commercial and SME banking customers of EBL will get life insurance coverage from MetLife.

Pope hits out at financial speculators

AFP, Genoa, Italy

Pope Francis earned a rapturous reception on a visit to a struggling steel factory in northern Italy on Saturday as he denounced financial speculators and demanded dignity for working people.

"Without work for all there will not be dignity for all," the pontiff told several thousand uniformed and hard-hatted workers at the Ilva plant in the northwestern city of Genoa.

"The progressive transformation of the entrepreneur into a speculator is an economic illness," he said. "The speculator is the same as a mercenary who has no company and sees workers only as a means to

make profits."

The assembled gathering responded with applause and cries of "Francesco, Francesco" as the Argentinian pope blasted the "faceless" nature of parts of today's economy.

Taking questions from several of those gathered, including a CEO and an unemployed woman, Francis praised the honour and dignity of "the good worker" and the good boss who would share out the fruits of their respective labours.

He contrasted that with "speculators" who chase maximum profits at the expense of workers left on the scrapheap, while adding that there were "few greater joys than those experienced by working".

Sonali Bank to inject Tk 50cr into Kolkata branch

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In March, Sonali Bank transferred Tk 171 crore to its operation in the UK that is suffering from cash crunch.

The government also transferred Tk 178.41 crore to the Sonali Bank (UK) Ltd last July in proportion to its share.

The government owns 51 percent share

in the bank's UK operation while the remainder is held by Sonali Bank.

According to Sonali Bank, the UK operation has not been able to raise its business exposure to more than 25 percent of its capital since December 2014 because of its "Third Country Jurisdiction" status.

Govt should focus on income tax instead of VAT

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At present, the total number of TIN holders is 30 lakh, which should be 50 lakh, according to the BEA. Only 10 lakh pay taxes, which should be 25 lakh, it said.

Only 46 individuals pay taxes of

more than Tk 1 crore or above annually, but the BEA estimated a minimum of 50,000 people are eligible to pay such amount of tax.

Jamaluddin Ahmed, general secretary of BEA, was also present.

Telcos may share 5.5pc of revenue for 4G services

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The Global System for Mobile Association, a union of mobile operators worldwide, earlier this month urged the government to reconsider its decision.

In its original proposal, the BTRC has recommended Tk 15 crore as licence fees for 15 years and another Tk 7.5 crore as annual fees, both of which will remain the same in the amended recommendation that will be sent to the telecom division shortly.

Earlier in April, the BTRC had sent its guideline on 4G services to the telecom division and in a meeting with industry stakeholders Joy pushed for a lower revenue-sharing quotient for the telecom watchdog, said another top official of BTRC.

"In line with that meeting's decision we are changing our recommendation," said the official, who was present at yesterday's commission meeting.

The BTRC's commission meeting will resume again today to finalise the spectrum prices for the next auction. The spectrum division has proposed three prices for three separate bands, he said.

For the 2100 band the floor price recommended for per megahertz is \$27 million, for 900 band \$28 million and for 1800 band \$35 million.

The operators, who currently enjoy technology neutrality in the 2100 band, will be able to do so in the 900 and 1800 bands as well after the auction.

Technology neutrality allows operators to offer any service in any band, which will reduce the operators' cost of doing business and improve service quality.

The BTRC has 15 MHz of unsold spec-

trum in the 2100 band, 10.6 MHz in the 1800 band and some spectrum in the 900 band that was released by Airtel after its merger with Robi. "The spectrum prices are yet to be fixed but definitely they will be much higher than the rate at which it went previously," Mahmood said.

In 2013, the BTRC sold spectrum on the 2100 band for \$21 million.

The mobile operators have already tested their network for 4G services in the 2100 band and got a reasonable 50 to 100 Mbps of speed for both uploads and downloads. The BTRC has also proposed Tk 150 crore as bank performance guarantee, which has to be paid in two separate segments: Tk 75 crore as rollout obligation and another Tk 75 crore to clear future dues, if any.

Under the rollout obligation, the operators will have to take 4G network to all divisional headquarters within the first nine months of getting the licence and to district headquarters within 18 months, according to the guideline.

They will get a total of three years to complete their rollout of 4G service across the country. If the operators comply with the obligations, they will get a refund of Tk 25 crore in each segment.

"After getting the approval we will offer 4G licences to existing operators, who will be able to launch 4G services within a couple of months," Mahmood said.

Currently, 4G services are available in all the neighbouring countries. As of February there are around 6.67 crore mobile internet users in Bangladesh, 3 crore of whom use 3G services.

Wealth surcharge collection rises 24pc

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"The wealth tax should not be income tax surcharge. The value of assets should be calculated based on market prices and be updated regularly. Separately, minimum tax should be imposed based on that," he said.

The whole wealth tax system should be overhauled and the existing system should be cancelled, he said.

Contacted, a senior official of the NBR preferring anonymity said it is difficult to determine wealth based on market value under the existing income tax law.

Property tax will be needed to introduce if the wealth is determined based on the market value, he said.

The official attributed to the rise in the number of wealthy people and surcharge collection to the taxpayers' compliance and growth in their wealth every year.

New people are coming under the wealth surcharge net with the rise in the value of their wealth, he said.

It is a very positive thing to see the amount of surcharge collection and the number of rich people increasing, said Towfiqul Islam Khan, research fellow at the Centre for Policy Dialogue.

The scope is there to collect surcharge from more people if the process for asset valuation is corrected, he said.

He suggested the government establish a real estate price index by collecting data on property prices regularly.

Bangladesh Bureau of Statistics can do the job, he added.

The government introduced wealth surcharge in 2011-12 as an alternative to wealth tax, to ensure equitable distribution of wealth and reduce economic disparity.

In the current fiscal year, the NBR revised the slabs of net wealth and corresponding surcharge rates against wealth.

The government plans to increase the surcharge in the coming fiscal year, Finance Minister AMA Muhith said on Saturday.

Some changes will be brought in different slabs of surcharge by increasing the rates, he said.

Sugar prices rise in Ctg markets

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Retailers alleged that a sudden supply crunch was created in Khatunganj just ahead of Ramadan as dealers of refined sugar sold only a small quantity of the item. Millers sold the sweetener at Tk 2,150 a maund (37.32kg) to some 35 dealers based in Khatunganj. The dealers sold the item at Tk 2,180 a maund to wholesalers and retailers.

A significant number of retailers from different kitchen markets showed up at the dealers' shops last week to purchase sugar in bulk. But they found that the dealers have cut down the amount to be sold.

Najmul Haque, a retailer at Karnaphuli CDA Market, who usually purchases 15 to 20 sacks of sugar from dealers, said the dealers have sud-

denly announced that they would sell the item only to those who could show their trade licence.

Retailers, who stood in the long queue, could collect only 5 to 10 sacks, said Haque, adding that seeing such a long line on Saturday he bought sugar from wholesalers at Tk 2,350 per maund. "Now we are compelled to sell it at higher prices since the wholesale rate was Tk 63.45 a kg," he said.

Contacted, Syed Sagir Ahmed, general secretary of the Khatunganj Trade and Industries Association and a dealer of S Alam's refined sugar, said the price of sugar in Dhaka markets is much higher than that of Chittagong. The wholesale price in Dhaka is Tk 2,400 a maund due to an inadequate supply by Dhaka-based millers.

Ahmed suspected that some traders are selling sugar to Dhaka markets after purchasing from Chittagong to make some quick bucks, prompting the dealers to sell only small quantity of the item. He, however, said, in the last two days they appointed 40 to 50 more dealers in the kitchen markets and at some points in the city to boost the supply.

Ahmed said the crisis would go in a day or two and the price would also come down. Emon Traders, one of the two dealers based in Karnaphuli CDA Market, bought 16 tonnes of sugar from dealers in Khatunganj on Saturday.

The firm is selling the item at Tk 2,180 a maund to retailers, according to its manager. The demand for sugar normally goes up during Ramadan.



Professor AAMS Arefin Siddique, vice chancellor of Dhaka University, and Syed Waseque Md Ali, managing director of First Security Islami Bank, pose for photo at a programme at the university in the capital yesterday. First Security will provide 50 meritorious students of business studies faculty with Tk 5,000 each as scholarship every month.