

# Rise in US business spending bolsters economic outlook

REUTERS, Washington

New orders for key US-made capital goods rose slightly more than expected in July and shipments surged, pointing to an acceleration in business spending early in the third quarter.

The Commerce Department's upbeat report on Friday also suggested the economy continued to gather momentum after growth slowed at the start of the year. Strength in business investment bolsters the case for the Federal Reserve announce next month a plan to start unwinding its massive bond portfolio.

"Growth continues on a solid footing," said Andrew Hollenhorst, an economist at Citigroup in New York. "The announcement of a September balance sheet reduction looks close to a done deal. A December rate hike and further hikes in 2018 remain contingent on increasing inflation."

Non-defense capital goods orders excluding aircraft, a closely watched proxy for business spending plans, increased 0.4 percent last month after being unchanged in June. Economists had forecast these so-called core capital goods orders to rise 0.3

percent last month. They were up 3.3 percent from a year ago.

Shipments of core capital goods jumped 1.0 percent after an upwardly revised 0.6 percent increase in June. Core capital goods shipments are used to calculate equipment spending in the government's gross domestic product measurement.

They were previously reported to have gained 0.1 percent in June. Core capital goods shipments advanced 2.4 percent on a year-on-year basis.

Businesses are boosting spending despite uncertainty over the prospect of tax cuts. President Donald Trump and his fellow Republicans in Congress have said they want to lower both corporate and individual taxes as part of an overhaul of the tax code, but few details have emerged.

With lawmakers soon to be preoccupied with legislation to raise the country's debt ceiling and keep the government funded beyond September, it is unclear how quickly the tax changes will be put on the legislative agenda.

"The pickup in business investment is welcome as a sign of the economy's health, but we would need to see much

stronger gains to meaningfully move the dial on productivity growth, and we suspect this is unlikely to happen without corporate tax reform," said John Ryding, chief economist at RDQ Economics in New York.

National Economic Council director Gary Cohn told The Financial Times on Friday that starting next week Trump's "agenda and calendar is going to revolve around tax reform."

The data and Cohn's comments helped to lift US stocks. The dollar fell against a basket of currencies, while prices for US Treasuries were largely higher.

Business spending on equipment added 0.44 percentage point to the economy's 2.6 percent annualized growth pace in the second quarter, the most in nearly two years. It has been buoyed by the energy sector, where oil and gas drilling has rebounded after declining in the wake of the collapse in crude oil prices.

That is helping to offset some of the drag on manufacturing from declining motor vehicle production. Manufacturing accounts for about 12 percent of the US economy.

Last month, orders for machinery fell

1.4 percent, the biggest drop since May 2016, after rising 0.6 percent in June.

Orders for computers and electronic products recorded their biggest gain in a year, as did those for electrical equipment, appliances and components. There were also increases in bookings for fabricated metal products.

But a 19 percent plunge in orders for transportation equipment weighed on overall durable goods orders, which range from toasters to aircraft and are meant to last three years or more. They tumbled 6.8 percent last month, the biggest drop since August 2014, after a 6.4 percent increase in June.

Orders for civilian aircraft plummeted 70.7 percent after soaring 129.3 percent in June. Boeing has reported on its website that it received only 22 aircraft orders in July, sharply down from 184 in the prior month.

Orders for motor vehicles and parts fell 1.2 percent in July, the biggest decline since May 2016, after decreasing 0.7 percent in June. Auto sales peaked in December 2016 and slowing demand has led to three consecutive monthly declines in motor vehicle production.

## New top brass for PDBL

STAR BUSINESS DESK

Shafiqul Alam has recently been elected as the chairman of Primary Dealers Bangladesh Ltd (PDBL).

The election took place at a meeting of the board of directors of PDBL, at MTB tower in Dhaka. The board also elected Kazi Masihur Rahman as vice chairman.

PDBL is an apex body of primary dealer banks and financial institutions.

Alam has been working as managing director and CEO of Jamuna Bank since 2013. Before joining Jamuna Bank, Alam was the additional managing director of United Commercial Bank.

Rahman is managing director and CEO of Mercantile Bank. He also served Exim Bank as CEO.



Shafiqul Alam

## New chairman for IDRA

STAR BUSINESS DESK

Md Shafiqur Rahman Patwary has recently been appointed as the chairman of the Insurance Development and Regulatory Authority (IDRA) for three years.

The finance ministry issued a gazette notification in this regard on August 22, IDRA said in statement.

He also served the financial institution division and the environment and forest ministry as secretary.



## Rawhides may rot for rundown roads, say tanners

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Now such a bag of salt is sold at Tk 1,200, Mahin said.

Six to eight kilograms of salt are required for a medium-sized rawhide, while a large-sized rawhide may consume 10 to 12 kgs.

Mahin suggested the government ensure timely import of five lakh tonnes of salt to meet demand.



Rajesh K Surana, country representative for Bangladesh at LafargeHolcim Group; Prof Ijaz Hossain, head of the chemical engineering department at Bangladesh University of Engineering and Technology, and Md Ashiqur Rahman, an assistant professor for mechanical engineering at BUET, attend the opening of a graduate trainee programme at the office of Holcim Cement in Dhaka recently. The 18-month long programme is expected to allow 12 students of the university to develop their expertise.

HOLCIM CEMENT BANGLADESH

## Small UK companies complain after HSBC accounts frozen

REUTERS, London

An avocado importer, an e-cigarette seller and a toilet-cleaning gun maker are among British companies that have had accounts closed or frozen by HSBC in the last two months, unintended casualties of a crackdown by the bank on illicit money flows.

Dozens of companies have been affected, with some unable to pay staff and suppliers, and others suffering financial losses they fear could force them to close.

The number is a tiny percentage of all business accounts at HSBC, but those affected are in the small business sector which the government has said it wants to encourage and hopes will thrive after Britain leaves the European Union.

HSBC told Reuters there may have been "an issue with how we've been communicating" and that it would put right "any case where we have done something wrong". It unfroze the accounts of at least three companies whose cases were brought to the bank's attention by Reuters.

"Inhibiting an account is always a last resort, so to get to that stage we will have done everything we can to contact the customer and get the information we need," said Amanda Murphy, head of commercial banking for HSBC UK.

Fourteen companies told Reuters in interviews they had lost access to their accounts after answering questions from HSBC as part of a review of customers. The bank is trying to tighten checks on clients following a \$1.9 billion fine in 2012 for allowing itself to be used to launder drug money from Mexico.

More than 30 companies have lodged complaints with HSBC about their accounts being closed or frozen, according to sources with knowledge of the complaints and social media postings by the affected companies.

David Johnston, whose company Interbrands (Europe) imports frozen avocados, said he received a letter on Aug 10 saying HSBC would freeze his foreign currency accounts on Aug 11, leaving him unable to pay his Mexican suppliers and a shipment stranded.

More than two weeks later, the bank told him it had "no set timeline" for resolving the problem and that meanwhile he would be unable to make overseas payments, according to emails sent by Reuters.

Johnston said HSBC had told him on Thursday it would unblock his account after Reuters' inquiries. Agustin Larocca, whose firm Bellmonte supplies luxury e-cigarettes, said his account was also unfrozen after being blocked for nearly seven weeks because of the Reuters' inquiries. A third company, MHL Consulting Engineers, said its account had also been unblocked.

Anti-money laundering regulations prevent banks from informing customers why their accounts are being closed or suspended where such activity is suspected. In some cases, HSBC may be powerless to tell customers why they are suffering.

## Elias Brothers seeks govt's help to resume business

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The edible oil unit has suffered the biggest loss and pushed the MEB's bank loans up.

The letter blamed its fall on the intense competition among several dozen commodity traders that compelled them to sell goods at prices lower than the import costs between 2001 and 2010.

MEB was forced to do the same and it accumulated losses and bank loans.

Secondly, MEB's edible oil company had incurred huge losses during the last caretaker government regime in 2007-08, which pressurised the commodity trader to import huge quantities of edible oil at a much higher price.

Later, the group had to sell the commodity for almost half of the cost, which yielded losses of about Tk 265 crore.

"This loss broke our company's backbone. We could not stand up after this,"

Alam said in the letter.

"We had to buy crude oil at \$1,300 a tonne and sell those at only \$700," said Riad, who joined the family business in 2005. Now, the group has retreated from commodity trading, its core business until 2009-10, altogether.

"We had taken the right decision by closing our edible oil refinery in 2011. Otherwise, the amount of loans would have been much more," the letter said.

MEB Oil Refinery Plant has the required infrastructure, including terminal and tank, to resume its operations, according to Riad.

At the end of June, the total nonperforming loans of the banking industry stood at over Tk 74,000 crore, which is 10.13 percent of outstanding loans in the economy. State-run lenders are the biggest victims: over one-fourth of its total loans have gone bad.

## Online cattle sales to double

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"All the animals we are selling are reared for some time in our own farm in Pabna and that is why customers trust us," added Sajjad.

Bengal Meat is now thinking of introducing online payment system as they say people from the USA, Canada, Middle East and Indonesia have started looking into their site.

The price of cattle of Bengal Meat and others are seen to range between Tk 60,000 to Tk 200,000.

Bikroy.com Marketing Director Yassen Noor said they were investing on making people more aware of how the system works.

"From customers' side we are getting a huge response as they are tech savvy but sometimes beparies (sellers) are sceptical as they are not habituated to using technology to sell cattle," said Noor.

The site charges Tk 1,299 for uploading profiles of 40 cattle and Tk 250 for one.

Bikroy.com aided the sale of 700 cattle last year and expects the volume to cross 1,500 this year. Already 1,500 cattle are listed on their site and there will be over 3,000 within a few days.

Sales continue even on Eid day, added Noor.

The online sites for now are catering to

urban customers of Dhaka. However, amardesheshop.com is seeking to target cities beyond Dhaka in coming years.

In its first year, amardesheshop.com sold 76 cattle. This year it already put up 100 animals for sale and the number would increase.

Ataur Rahman, founder of amardesheshop.com, expects prices in Dhaka to rise as very little cattle would be coming from the northern part of the country, one of the largest cattle supplying regions, due to floods.

He said to have networks in different districts from where cattle are put up for sale for Eid. This year, the site said to have collected animals from Narsingdi and Kishoreganj.

He said buying sacrificial animals online was still a new concept in Bangladesh. "But I am sure it will boom in a few years," said Rahman.

E-Commerce Association of Bangladesh observes that this segment of business was yet to reach its full potential as it requires high investment.

Rajib Ahmed, president of the association, said sales and involvement of new entrepreneurs in online cattle markets was on the rise.

"Trust is the most important issue in online trading and we are achieving it for our emerging e-commerce sector," said Ahmed.

## Cattle insurance essential: analysts

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FH Ansarey, managing director and chief executive of ACI Agribusiness, said the government should frame clear and consistent policies to encourage private sector investment in dairy and beef production.

The annual market size for beef is about Tk 15,000 crore and the sector needs Tk 10,000-12,000 crore of investment, he said.

Md Anwarul Haque Beg, treasurer of Sher-e-Bangla Agricultural University, said he heard about the formation of the 'dairy development board' in the 1980s.

"But it is yet to be established," he said, adding that neighbouring India

has formed such a board 40 years ago.

Beg also recommended bringing the 50 lakh small farmers under registration for providing extension and other support such as credit.

Big investors will come forward if the influx of cattle from India is stopped, said Mohammad Imran Hossain, president of the Bangladesh Dairy Farmers Association.

"Beef will be produced on an industrial scale and the prices will come down."

He also demanded the government charge the dairy farmers the same rates as the agriculture sector for electricity.

At present, dairy farmers have to pay commercial rate on their electricity usage although dairy and livestock farming falls under agriculture. As a result, the cost of production goes up.

## Palli Sanchay Bank launches online banking solution

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Muhith said this was the first time that such an institution was going to provide online services accessible from every branch.

Many of the local banks do not have the service, he said.

At the function, loans ranging from Tk 20,000 to Tk 30,000 were given to borrowers. Some borrowers said the loan limit should be increased as it was small compared to what they needed.

Muhith acknowledged this but did

not give any assurance.

Palli Sanchay Bank Chairman Mihir Kanti Majumder said they would never establish branches in urban areas, rather, they plan to open branches further down the grassroots -- at the union level.

A statement of the bank said transaction related data of about 22 lakh members in 40,215 cooperatives of 485 upazilas would be uploaded online in the next three months.

Senior secretaries Hedayetullah Al Mamun (finance division) and Yunusur Rahman (banking division) also spoke.

## 20 defaulters account for state banks' one-third bad loans

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Finance Minister AMA Muhith blamed the bankers for the increasing default loans: they do not release funds to clients as per schedule, which in turn leads to the projects' failure.

"Bankers do it consciously, so that clients default on their loans and come under their control," the minister added.

SK Sur Chowdhury, a deputy governor of the Bangladesh Bank, acknowledged that there is a problem in loan disbursement, which is why new loans are defaulting.

"But the performance of the state banks is not as bad as commonly perceived. The banks are making profit but the higher provisioning requirement against their bad loans sets them back."

Chowdhury said banks should follow the report from the BB's Credit Information Bureau before lending to clients to prevent a loan from defaulting.

The default loans of the six state banks stood at Tk 34,581 crore, which was 27 percent of their

loans.

In June, the average default rate in the banking sector was 10.13 percent.

Banks should follow ethical lending practice to bring down the default loan ratio, said Fazle Kabir, governor of the BB.

He also called upon the banks to put in more effort to recover write-off loans.

The requirement for collateral is a major constraint for the success of a business project, said Md Ataur Rahman Proddhan, managing director of Rupali Bank.

He said if clients want to borrow Tk 100 crore for a project they need to provide security worth Tk 150 crore. "The project starts to fail from this point," he added.

Zaid Bakht, chairman of Agrani Bank, said the financial performance of state banks becomes poorer as they participate in the development activities of the government.

Under the social safety net programme of the government, the banks channel money across the country without any service charge, which costs

them Tk 100 crore, he said.

The board members of state banks do not have shares in the lenders, so they do not feel any ownership, said Hedayetullah Al Mamoon, senior secretary of the finance division.

Subsequently, banks should float shares in the stockmarket to bring shareholders to the board, he added.

MA Mannan, state minister for finance, asked banks to cut costs to make profit. "Banks should be allowed to make the call on whether they will open or close a branch."

Commercial banks, both private and public, have 9,720 branches across the country, 53 percent of which are owned by state banks, according to the finance division paper.

The number of accountholders stood at 8.14 crore as of December 2016, 54 percent of which are with eight state banks.

The eight banks also account for 31 percent of the total deposits of Tk 952,000 crore in the banking sector as of June.