



Khurshid Irfan Chowdhury

New CEO for Transcom Beverages

STAR BUSINESS DESK

Khurshid Irfan Chowdhury has recently been appointed as the new managing director of Transcom Beverages Ltd, the only franchisee of PepsiCo in Bangladesh.

Chowdhury will take charge of the company on February 1 next year, the company said in a statement yesterday.

Prior to the appointment, he has been serving the company as deputy managing director.

He joined the company as general manager for sales and marketing in 2002 and also served the company as executive director between 2010 and 2015.

Prior joining Transcom, he was the sales director of Reckitt Benckiser Bangladesh.

He started his career with Unilever Bangladesh in 1990, according to the statement.

Transform Bangladesh through 'knowledge remittance': NRB conclave

STAR BUSINESS REPORT

Non-resident Bangladeshis (NRBs) can make a crucial contribution to the country's development through "knowledge remittance", experts said yesterday.

They spoke at a conclave titled "Transforming Bangladesh through knowledge remittance" held at Le Méridien Dhaka.

Bangladesh Brand Forum (BBF) organised the event with an aim to explore models and approaches to engage the NRBs so that they can contribute more to the economy.

Shariful Islam, founder and managing director of BBF, said Bangladesh is now at a very critical stage of development.

The next 10 years will be very vital as well, he said at the event.

"We must apply the most cutting-edge thinking, adopt the latest technology and apply new models to make a quantum jump in development"

"NRBs through knowledge remittance can make a crucial contribution in this journey," he said.

Around 300 guests, including distin-

guished NRBs, policymakers, academicians, artists and corporate professionals, attended the event.

Expatriate Bangladeshis sent home \$12.77 billion in fiscal 2016-17, down 14.47 percent year-on-year, according to Bangladesh Bank data.

Remittance is a major source of foreign currency for Bangladesh and its descent since fiscal 2015-16 has progressively become a matter of concern for the government.

Speakers said NRBs feel very passionate about Bangladesh and they want to explore avenues to engage themselves more with their homeland.

Lutfey Siddiqi, a visiting professor-in-practice at London School of Economics; Faisal Ahmed, chief economist of Bangladesh Bank, and Humayun Rashid, managing director of Energypac Power Generation, presented three keynote papers at the conclave.

In addition, there were four panel discussions and three insight sessions focusing on Bangladesh's potential and the role of the diaspora.

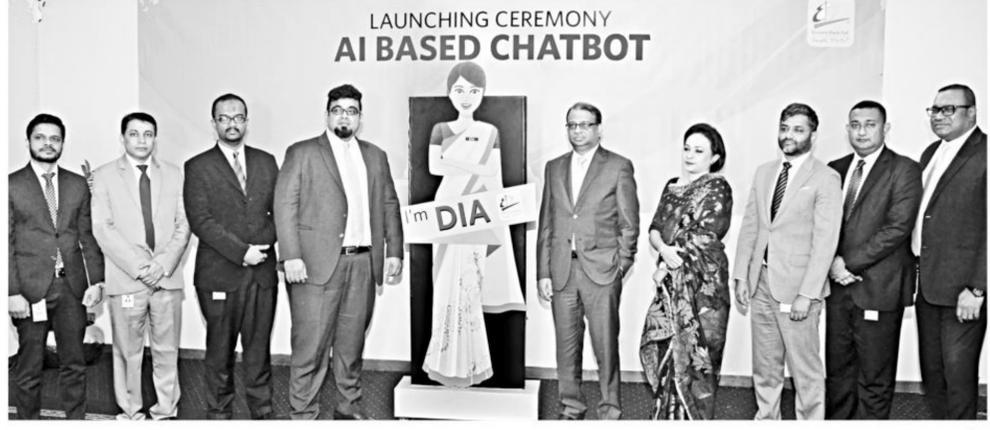
Govt earns Tk 111cr from land ports: minister

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Besides, the government has undertaken a project to construct a truck terminal on a 150-acre land to modernise the land port with funds from the World Bank by 2018,

he said.

"Two warehouses, an integrated check post terminal and a four-lane road for internal communication are being constructed at Benapole land port."



Eastern Bank Ltd Managing Director Ali Reza Iftekhar launches the Bangladesh's first artificial intelligence based banking chatbot—EBL DIA—at a programme. EBL Head of Consumer Banking Nazeem A Choudhury, Head of Business Khorsheed Anwar and Acting Head of Digital Banking Tasnim Hussain were also present. Story on B1

Goldman Sachs says US tax reform to cut earnings by \$5b

AFP, New York

US banking giant Goldman Sachs said Friday the recently-enacted US tax reform will cut its earnings this year by about \$5 billion, mainly because of a tax targeting earnings held abroad.

The tax reform package is expected to result in a reduction of approximately \$5 billion in earnings for the fourth quarter," the company said in a statement.

"Approximately two-thirds of which is due to the repatriation tax."

The one-time hit means a likely loss for the fourth quarter for the banking group when it reports quarterly and annual earnings January 17. Goldman Sachs reported net profits of \$2.4 billion in the fourth quarter of 2016, while the annual total last year was \$7.4 billion.

US President Donald Trump last

week signed into law a sweeping overhaul of the US tax code, in what was his first major legislative victory since taking office nearly a year ago.

The measure is expected to boost corporate profits of banks and other companies over the medium and long term by lowering the corporate tax rate to 21 percent from 35 percent.

However, several large corporations have signaled that the law will result in a short-term hit on earnings repatriated from overseas. The reform taxes these earnings at 15.5 percent on cash and equivalents and eight percent on real estate and other illiquid assets.

Other large companies that have alluded to large one-time hits in the fourth quarter include Credit Suisse, Barclays and Royal Dutch Shell.

Despite the impact of the repatria-

tion tax, large companies have strongly backed the tax reform, arguing it will boost growth in the long term.

Analysts are generally upbeat about the earnings prospects of large banks heading into 2018 in the wake of US tax reform, as well as the Trump administration's moves to streamline bank regulations, higher Federal Reserve interest rates and solid economic growth. A note from CFRA Research earlier this month gave a "positive" outlook on diversified banks, saying "the success of the banks passing the 2017 Federal Reserve stress tests opens the door for improved shareholder return through dividend increases and share repurchases."

Shares of Goldman Sachs dipped 0.8 percent to \$254.41 in early trading Friday, the last trading day of the year.



Md Abdur Razzaq, founder managing director of JMI Group and Nipro JMI Pharma, attends the annual sales conference of the company at Cox's Bazar on December 27.

Private sector credit growth hits 19pc

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BB warned two more -- Islami Bank Bangladesh and Union Bank, both Shariah-based banks -- of the same consequence if they did not check their reckless ways.

To support their aggressive lending, many banks are now hunting for deposits by offering 1-1.5 percent higher interest rate as bait.

As of October, the banking sector's average interest rate on lending was 9.39 percent and on deposit 4.89 percent, according to data from the BB.

For instance, Sonali on December 28, the last working day of the year for banks, got a request for withdrawal of Tk 185 crore from the Bangladesh Telecommunications Company Ltd.

The telecom company asked Sonali to transfer the amount to seven private banks: Exim, IFIC, Jamuna, Mercantile, One, Standard and Social Islami.

But Sonali declined to honour the request as withdrawal of such a large amount on the last transaction day of 2017 would have a negative impact on the balance sheet.

"As a result, both the deposit and lending rates have started to move upwards," he added.



BLDG EMBASSY IN MANAMA

State Minister for Finance MA Mannan meets with Finance Minister of Bahrain Shaikh Ahmed bin Mohammed Al Khalifa, at the latter's office in Manama on December 28. Mannan reached Bahrain on December 27 to discuss the role of private sector to enhance economic growth.

No relief from high food prices in 2018

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Rice production will decline in Bangladesh in fiscal 2017-18, he said citing estimates from FAO and the US Department of Agriculture.

"My estimates using economic models show that there is likely to be a rise in headcount poverty rate by 0.32 percentage points due to the rice price rise this year," said Raihan, also the executive director of South Asian Network on Economic Modelling.

Subsequently, he called for forming a 'Rice Policy' with respect to production, import, supply management and strategic agreements with the rice exporting countries.

Apart from inflation, the possible revival of political unrest in the run-up to the national election at the beginning of 2019, the deepening of the Rohingya crisis and further weakening of corporate governance in the banking sector pose risks to the economy in 2018, Hussain said.

On the bright side, remittance inflow, the main source of foreign currency for the country, may rise in the new year.

With the recovery in international oil prices, the Gulf Cooperation Council economies, where the majority of the Bangladeshi migrant workers reside, are recovering.

"Thus the earnings prospect of Bangladeshis working there is increasing. Remittances from the US and the UK have also shown signs of strong recovery," Hussain said.

In another development this year, the pace of poverty reduction and job creation slowed down.

The rate of poverty declined from 31.5 percent in 2010 to 23.4 percent in fiscal 2016-17, according to Hussain.

reduction has slowed and income inequality has increased, particularly in rural areas."

The development is not entirely unexpected as the challenge of poverty reduction generally tends to get tougher the more poverty is reduced, the WB economist said. "It is a wakeup call against complacency."

The lives of the general public in Bangladesh are affected on the economic front critically by the availability of jobs and the trends in consumer prices.

"All indications are that job creation has slowed significantly in recent years," Hussain added.

In another promising development, exports rebounded in the second half of the outgoing year, reflecting the Western buyers' renewed confidence in Bangladesh's ability to deliver.

The depreciation of the Bangladesh taka against the euro and the US dollar also helped in the recovery, economists said.

Agriculture was the hardly hit sector in 2017 for repeated floods and unseasonal rains. The crops most affected were Aus, Aman, Aman seedbed, seedling, jute, and vegetables.

The flood, which affected 34 of the 64 administrative districts of Bangladesh, imposed economic hardship on millions of farmers and households.

"Even though rice prices were relatively high throughout the year, most of it is likely to have been appropriated by the middlemen rather than the farmers," Hussain said.

Both the economists also expressed concerns about the performance of the banking sector.

"We are highly concerned about the rise in scams in the banking sector

and the non-performing loans. These are reflections of weak regulation, political patronage and a lack of vision," Raihan said.

The Banking Companies (Amendment) Act-2017 that has allowed four family members on a bank's board for nine consecutive years will increase the sector's fragility even more.

"There is a need for a political will, proper regulation, empowering the Bangladesh Bank and speedy trial of financial crimes," Raihan added.

Hussain said the banking sector is ailing badly and moved in the wrong direction in 2017.

He cited the BB's Financial Stability Report 2016 that was released in July this year to further his point.

The report revealed that when exposed to various credit shocks, 23 out of 49 banks would become undercapitalised mainly due to defaults by large borrowers.

"This was a clear and intellectually honest official admission of the true gravity of Bangladesh's banking sector."

A whopping 10.7 percent of the banking sector's total outstanding loans are reportedly in the default zone, Hussain said.

"But the figure would increase very significantly once restructured, rescheduled loans and write-offs are factored in."

Bailouts of banks using taxpayers' money continued this year in spite of the fact that bailouts have time and again proven to be ineffective, Hussain said.

"The authority's lack of readiness to seriously recognise and address root causes behind the banking sector is most worrisome," he added.

US home values soar in 2017

AFP, Washington

In a hot housing market, the value of all US homes soared to a record this year, as did the monthly payments by renters, online real estate giant Zillow said Thursday.

With the steady increase in demand for housing driving prices and rents higher, the value of all homes was up nearly \$2 trillion, according to the year-end data.

The 6.5 percent increase over 2016 was the biggest gain in four years and drove the total to nearly \$32 trillion.

"This was a record year for home values," Zillow Senior Economist Aaron Terrazas said in a statement.

Banks should manage liquidity with caution

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Md Arfan Ali, managing director of Bank Asia, said non-performing loans continued to maintain an upward trend in the last few years, affecting the liquidity base of banks.

A huge amount of funds have been stuck in banks as they have been forced to keep provision against default loans, he said.

"The banks should adopt a cautious policy on the habitual defaulters so that they are not allowed to get credit in the coming year. The banks should put effort into recovering classified loans from the beginning of next year," Ali said.

BB data shows that the amount of default loans increased by Tk 6,159 crore to Tk 80,307 crore in September compared to that a quarter ago.

AB Mirza Azizul Islam, former finance adviser of a caretaker government, said private sector credit growth was continuing its ascent, but the question was where the disbursed loans had gone to.

The higher credit growth in recent months may continue in the coming year which might cause the banking sector to go haywire, he said.

Private sector credit growth in October stood at 18.63 percent, which is way higher than the target of 16.20 percent set for the first half of the fiscal year, shows the BB data.

The central bank should investigate and

find where private credit's ultimate destination was in order to tackle classified loans, Islam said.

Mamun-Ur-Rashid, managing director of Standard Bank, said banks should shun aggressive lending to manage their liquidity base properly.

The central bank has recently taken administrative measures against some banks in this regard which will send out a message to other banks, he said.

On December 17, the BB froze Tk 51 crore in ONE Bank's current account with the banking regulator and Tk 25 crore in that of Premier Bank for aggressive lending practices that took them way past the permissible limit for advance-deposit ratio.

The rate of interest on deposit has increased sharply which indicated that the banks are now facing a shortage of available funds, Rashid said.

"Higher interest rate on savings tools continues to encourage the common people to keep their money on the instruments avoiding the bank. Such phenomenon has emerged as a challenge for the banks," he said.

The businesspeople may take a "go-slow" policy to expand their business next year considering that it is the pre-election year, which will hit the banks' profitability, he added.



AKIJ MOTORS Sheikh Amin Uddin, a director of Akij Motors, attends the launch of the company's new vehicle Forland M3, at Officers' Club in Dhaka yesterday.