

# IMF chief urges Arab states to cut spending

AFP, Dubai

IMF chief Christine Lagarde on Saturday urged Arab countries to slash public wages and subsidies in order to rein in spending, achieve sustainable growth and create jobs.

Speaking at the one-day Arab Fiscal Forum in Dubai, Lagarde welcomed "promising" reforms adopted by some Arab countries, but insisted much more was needed to overcome daunting economic and social problems.

Low oil prices are weighing on the finances of Arab oil exporters, while importers are battling with rising debt, unemployment, conflicts, terrorism and refugee inflows, the International Monetary Fund's managing director said.

Almost all Arab countries have posted budget deficits over the past few years and Arab economies grew at just 1.9 percent last year, half the global rate, according to the Arab Monetary Fund (AMF), which co-organised the event with the IMF.

Yet Arab public spending remains very high, especially in oil-rich Gulf states, where government expenditures exceed 55 percent of gross domestic product, Lagarde said.

She said many Arab governments had taken steps to contain spending, but the measures have often been temporary.

Public spending reforms should focus

on cutting costly subsidies and public wage bills whilst boosting efficiency in areas like health, education and public investment, she said.

"There is really no excuse for the continued use of energy subsidies," Lagarde said.

"They are extremely costly -- averaging 4.5 percent of GDP among oil exporters and three percent of GDP among oil importers."

All six members of the Gulf Cooperation Council and many other Arab countries have reduced energy subsidies in recent years, but their cost is still high.

AMF chairman Abdulrahman al-Hamidy said the value of Arab energy subsidies dropped from \$117 billion in 2015 to \$98 billion last year, according to a study by his organisation.

Lagarde warned that higher growth and stringent reforms were needed to create jobs for young Arabs.

"Youth unemployment is the highest in the world -- averaging 25 percent, and exceeding 30 percent in nine countries," she said. "Moreover, over 27 million hopeful young people will join the workplace over the next five years."

Hamidy said Arab economies must grow at 5-6 percent annually to create the necessary jobs, adding that half of the Arab world's estimated 400 million population is under 25 years old.

# Bank of Japan to keep Kuroda at helm until 2023

AFP, Tokyo

The Bank of Japan is to keep Haruhiko Kuroda at its helm until 2023 under government plans to retain him as a pillar of its pro-spending policy, reports said Saturday.

The government will propose to parliament reappointing 73-year-old Kuroda for a second five-year term as early as this month, the Nikkei business daily quoted anonymous government sources as saying.

His current term ends on April 8.

Other media, also quoting anonymous government sources, said Prime Minister Shinzo Abe's administration was in the final stages of arranging Kuroda's reappointment.

He would be the first BoJ governor to serve two terms in half a century as Abe's ruling coalition has a comfortable majority in both houses of parliament.

Soon after he became prime minister, Abe handpicked Kuroda, a former finance ministry bureaucrat who later headed the Manila-based Asian Development Bank, as BoJ chief.

Kuroda has since taken drastic mea-

sures to pump money into markets in what was called a monetary "bazooka". It has played a key role in Abe's growth blitz -- a mixture of huge monetary easing, government spending and reforms to the economy.

"Mr Kuroda is a symbol of Abenomics and replacing him would pose risks," the Nikkei quoted a top government official as saying. Their efforts have weakened the yen and boosted share prices and corporate profits.

The Japanese economy has been expanding on robust exports and domestic demand spurred by infrastructure upgrades ahead of the 2020 Olympic Games.

With wage growth and consumption persistently lukewarm, however, the world's third largest economy is still battling deflation.

Its core inflation rate rose only 0.5 percent last year, far from the two-percent target Kuroda initially said he planned to achieve in two years.

The trend stands in sharp contrast to other major economies whose central bankers are looking to wind up their easing policies.

# Jahangir president, Farid gen secy of Civil Service Economic Association



Kazi Zahangir



Farid Aziz

STAR BUSINESS DESK

Kazi Jahangir Alam and Farid Aziz have been elected president and secretary general respectively of Bangladesh Civil Service Economic Association.

The election to the association's executive committee for 2018-2019 was held at the NEC Conference room in the capital on February 8.

Md Lutfor Rahman Tarafder, Md Zakir Hossain, Srinibash Devnath, Syed Mahbulul Alam and AKM Abdullah Khan were elected vice president.

Other elected office bearers include Treasurer Md Mahmudur Rahman and joint secretaries general Tanvir Bashar, Md Habibul Islam, Md Al-Amin Sarker, Nur Ahmed and Md Fazlur Rahman.



ACI MOTORS

Officials of ACI Motors and Yanmar, a Japanese agricultural machinery manufacturer, pose at a training programme at Purbachal in Dhaka recently. The training aims to educate local farmers on using Yanmar technology in the agriculture sector.

# Foreign fund to be cut by Tk 5,000cr in revised budget

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The country saw the highest utilisation of foreign funds last fiscal year -- \$3.56 billion -- in development projects.

According to the ERD statistics, it was \$2.57 billion in the first six months, which was 94 percent more than that in the same period the previous fiscal year. The official said more than \$3 billion was utilised by the end of January this year.

According to the ERD sources, one of the mega projects was the foreign-funded Rooppur power plant, which got an allocation of Tk 10,186 crore this fiscal year. Of the funds, around Tk 8,000 crore will come from Russia.

The official said the project was going on as per schedule and almost the entire amount would be spent this fiscal year. In November, the ERD reviewed progress in the implementation of 63 ongoing foreign-funded

projects -- each having Tk 200 crore or more in aid allocation. The projects involve a total of Tk 45,442 crore.

It found the pace of implementation in many of the projects slow.

One such project is the Padma rail link for which Tk 4,950 crore in foreign aid was allocated in the current fiscal year. Financed by China Exim Bank, the project is expected to complete by 2022 at a cost of Tk 34,988 crore. The rail link will connect Dhaka with the country's southern region via the Padma bridge.

The government plans to open part of the rail link during the Padma bridge's inauguration scheduled for later this year.

Seeking anonymity, an official of the railways ministry told this correspondent that the primary work in the project had been done. But they could not start the main work as the minis-

try is yet to sign a loan agreement with China Exim Bank. Even a high powered government team was scheduled to visit China last month to expedite the signing of the loan agreement, but it was suspended.

The ERD official said the prerequisite high level approval of the Chinese government has come and the loan agreement may be signed this year or the next. However, another ERD official said even if the loan agreement was signed, the expected utilisation of foreign fund in the project would not be fulfilled.

China in the last one year signed over \$1 billion-worth loan agreements for various projects including the Karnaphuli tunnel. The utilisation in China-funded projects would increase this year compared to previous years.

Utilisation of Japanese and Indian funds in projects has also increased.

# British pipeline outage puts drain on economy

AFP, London

Britain's industrial output plunged in December and the trade deficit widened following a shutdown of a major North Sea oil pipeline, official data showed on Friday.

Industrial production dived 1.3 percent compared with a gain in November, the Office for National Statistics said in a statement.

That was the largest decline since 2012 and was worse than market expectations of a 0.9-percent drop. It also followed a 0.3-percent increase in November, the ONS said.

"Mining and quarrying provided the only downward contribution, falling by 19.1 percent as a result of the shutdown of the Forties oil pipeline for a large part of December," the statistics office added.

However, manufacturing output, which excludes mining and quarrying, electricity, gas and water supply, grew by 0.3 percent.

The Forties pipeline system, which normally carries 40 percent of UK oil and gas production in the North Sea, was offline for three weeks.

Over the whole year, industrial production expanded by 2.1 percent compared with 2016. That was the strongest increase since 2010 when it grew 3.2 percent.

# Dhaka, Delhi agree to set up more border haats

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The Bangladesh delegation thanked the Indian side for the recognition of certificates of 21 food items by the Bangladesh Standards and Testing Institution. It also requested India to recognise six remaining items.

The Bangladesh commerce secretary requested his Indian counterpart to withdraw the anti-dumping duty imposed by India on jute goods and hydrogen peroxide.

Besides, a request was also made to India for extending cooperation to enhance the capacity of Bangladesh regarding anti-dumping duty.

On the other hand, India requested Bangladesh to provide duty facilities for exporting Indian sugar to Bangladesh.

As India is the second largest trade partner of Bangladesh, the volume of bilateral trade rose to \$6.8 billion last fiscal year (FY17).

Two-way trade is still in favour of India as Bangladesh imported goods worth \$6.13 billion last fiscal against the export of goods worth \$672.4 million.

Although India has provided duty-free and quota-free access to some 25 Bangladeshi products, the trade deficit is yet to be reduced due to various impediments, including insufficient infrastructure and various non-tariff barriers.

To minimise this trade gap and barriers as well as further promoting a business-friendly environment, bilateral meetings often take place at different tiers, of which the commerce secretary-level one plays an important role.

# Now NBFIs hike interest rates

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Then on January 30, the BB has instructed banks to bring down their loan-deposit ratio to 83.5 percent from 85 percent by June, further intensifying the competition for deposits.

Accordingly, banks that had offered 5 to 7 percent interest on fixed deposits for the last three years have hiked their rates to 8 to 9 percent or even more in recent days to attract funds.

The development though will bring cheer to savers, who had been suffering for more than three years for low returns on their deposits.

Now, the competition for deposits has hit the 33 NBFIs that rely on banks for funds.

The NBFIs cannot take deposits for less than three months and they cannot run current accounts like banks, so their source of funds is narrow.

Banks that used to give NBFIs an overdraft (OD) credit limit have either stopped offering them or raised rates.

For example, state-run Sonali Bank that gave credit to NBFIs at 11 percent in 2016 has increased the rate to 12.50 percent a year later.

Similarly, all other banks, be it government, private or foreign ones, have raised the rates for loans to NBFIs.

"One private bank has hiked the interest rate on OD credit to NBFIs to 14 percent now from 9 percent several months ago," said Khalilur Rahman, managing director of National Housing Finance And Investments.

Excessive reliance on bank funds has made some NBFIs' business critical, said Rahman, also the chairman of Bangladesh Leasing and Finance Companies' Association, a forum of non-banks.

"There are some NBFIs who depend on banks for 50 percent or more of the loans they disburse."

National Housing had lent at single digit interest rate, which is totally impossible now, he added.

"We are not getting funds from banks," said Sami Huda, managing director of People's Leasing and Financial Services.

Banks are now asking for more than 14 percent interest on loans to NBFIs.

IDLC Finance is one of the few lucky NBFIs that run on retail deposits instead of funds from banks.

Still, the lender has raised the interest rates by two percentage points. IDLC offers 9 percent for deposits of 3-month tenure.

"This is not the first time that Bangladesh is witnessing rising rates on deposits and loans," said Arif Khan, managing director of IDLC Finance.

Four years ago, the interest rates on deposits were 11-12 percent, he said.

All of them said the overall situation will benefit savers after several years' of low interest rates on deposits.

"They are happy that they are getting returns well above the inflation rate," said Rahman of National Housing.

**Mahbub Hossain Mirdah, a director and CEO of RR-Imperial Electricals Ltd, attends a press conference at National Press Club in Dhaka yesterday, to inform of the company's subsidiary RR Kabel achieving certificates from US-based UL and Germany-based VDE, two top organisations certifying safety and quality of electric and electronics companies.**

RR KABEL

