# Sanctions to limit room for Russia's rate cuts, economic growth

REUTERS, *Moscow*

The latest round of US sanctions against Moscow will limit scope for rate cuts in Russia as well as room for economic recovery, a Reuters monthly poll of 23 analysts and economists suggested.

The new round of sanctions imposed on Russia by the United States in April was a game-changer for the central bank, dashing its imminent plans to proceed with rate cuts that are designed to prop-up sluggish economic growth.

The sanctions, which targeted a number of Russian individuals and companies, hit the Russian market hard, sending the rouble to its weakest level since 2016.

Taking into account the central bank's signal that it will not cut the key rate as low as previously thought, 11 out of 20 analysts and economists who gave their rate forecasts said they expected the bank to lower the rate to 7.00 percent at its next board meeting in June from 7.25 percent at present.

The rate level by the end of 2018 is now seen at 6.75 percent versus 6.50 percent predicted by the previous poll a month ago.

There is a chance the central bank could trim rates in June but that will depend on whether the rouble recovers further, given that it is still some 10 percent weaker versus the dollar than it was at the end of March, said Christopher Shiells, an analyst at Informa Global Markets.

Still, inflation is seen steadily low at 3.4 percent this year, below the central bank's target of 4.0 percent, the poll showed.

The latest poll also indicated the consensus forecast for 2018 gross domestic product growth lowered to 1.7 percent from 1.8 percent one month earlier. Forecasts for 2018 economic growth ranged from 1.0 percent to 2.5 percent.

"We found the general consensus to be that the new sanctions would not destabilise the macroeconomic situation," Morgan Stanley analysts said.

"However, we see some downside risks to our 2.3 percent growth forecast, given that sanctions would affect business confidence and reduce private sector investment, increase the cost of funding and turn the central bank more cautious," they said.

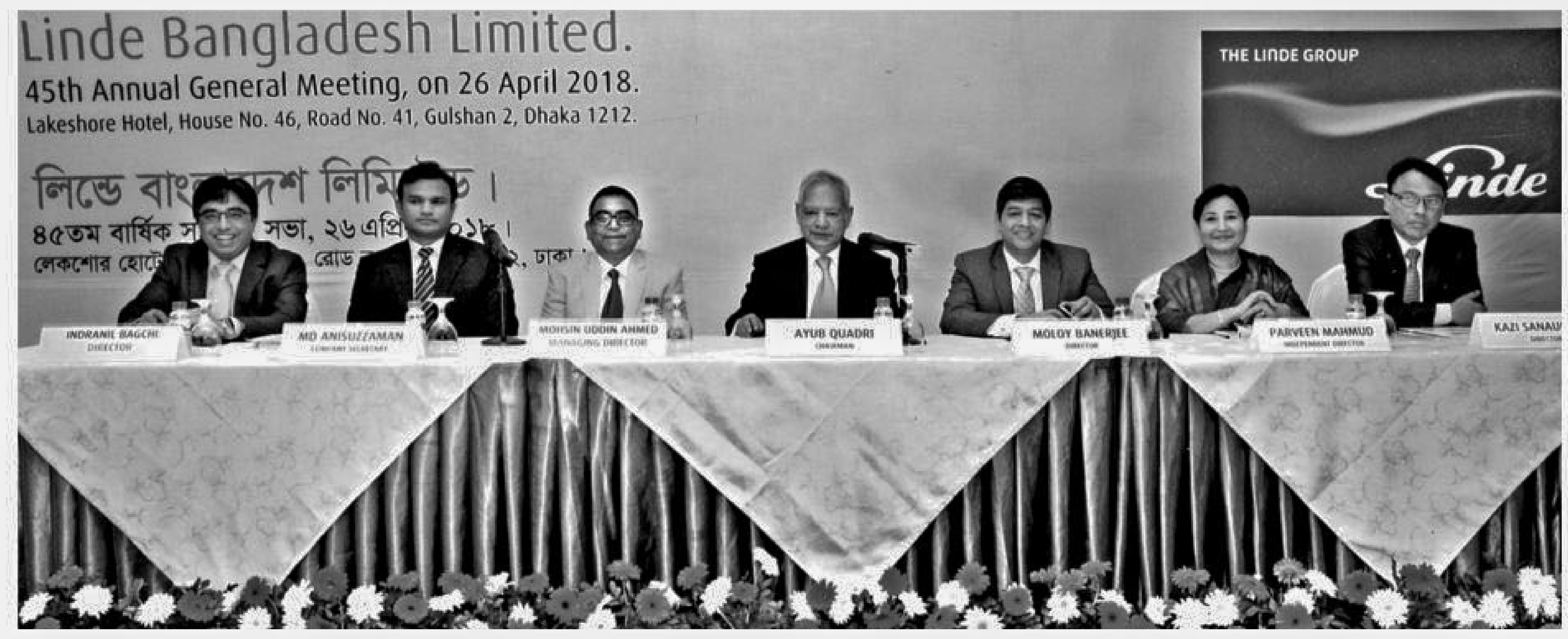
The lower growth rate is seen as a consequence of the sanctions that sent shares in four publicly listed companies with links to those sanctioned individuals plummeting both in Russia and elsewhere: Rusal, EN+ Group, GAZ group and Polyus.

"Sanctions have a direct impact on reduction of production at Rusal factories, reduction in electricity production," said Kirill Tremasov, a former economy ministry official and now head of research at Loko-Invest.

"The introduction of sanctions drastically raised uncertainty for the business environment in the Russian economy. Threats of counter-measures also contribute to this," said Tremasov.

The rouble rate is also on track to feel pressure from sanctions. In a year from now, the rouble is seen at 60.30 against the dollar versus a level of 57.35 per dollar predicted a month ago.

On Saturday, a rare working day for the Moscow Exchange, the rouble traded at 62.22 versus the dollar.




LINDE BANGLADESH

**From left, Indranil Bagchi, Linde Bangladesh Ltd director; Md Anisuzzaman, company secretary; Mohsin Uddin Ahmed, managing director; Ayub Quadri, chairman; Moloy Banerjee, director; Parveen Mahmud, independent director, and Kazi Sanaul Hoq, director, pose at the company's 45th annual general meeting at Lakeshore Hotel in Dhaka on Thursday. A final dividend of 140 percent was approved by shareholders with an interim dividend of 200 percent paid earlier, bringing the total to 340 percent.**


PDL

**Uzma Chowdhury, chairman of Property Development Ltd (PDL), and Romesh Elapata, CEO of Lankan Alliance Finance Ltd (LAFL), attend a deal signing ceremony at the latter's corporate office in Dhaka on April 25. LAFL will provide PDL Tk 20 crore as loan.**

# China, India, Canada top US list of intellectual property offenders

AFP, *Washington*

The United States on Friday rebuked NAFTA-partner Canada, saying the country was not doing enough to clamp down on counterfeit goods, giving it the same ranking as China and India on a list of intellectual property offenders.

In an annual report on intellectual property rights violations by trading partners, the US Trade Representative's office downgraded Canada to the "priority watch list," which subjects it to a more intense level of scrutiny.

China has been on the priority watch list for 14 years and India makes a repeat appearance, as the USTR said neither country had done enough to protect patented and trademarked products.

"The ideas and creativity of American entrepreneurs fuel economic growth and employ millions of hardworking Americans," USTR Robert Lighthizer said in a statement.

"This report sends a clear signal to our trading partners that the protection of Americans' intellectual property rights is a top priority of the Trump administration."

The report does not trigger any immediate sanctions and comes after Washington hit China with steep import tariffs on $50 billion in goods for its alleged serial theft of American technology.

The US also filed a complaint against that country at the World Trade Organization.

There are 12 countries on the priority watch list and another 24 on the less-intense "watch list." Colombia also was downgraded this year, joining Argentina and Chile, while Mexico, also a partner in the North American Free Trade Agreement, is on the list of lesser offenders.

The USTR accused Canada of "failure to resolve key longstanding deficiencies in protection and enforcement," including failing to police counterfeit or pirated goods travelling across the border and failing to prosecute violators.

A USTR official told reporters the US had "very serious concerns" with Canada's intellectual property regime and "we want to see meaningful change."

The notice comes as Lighthizer is holding meetings with his NAFTA counterparts, Canada's Chrystia Freeland and Mexico's Ildefonso Guajardo, on revising the 24-year old free trade pact.

But the official declined to speculate on whether Canada's downgrade would be discussed in the meetings.

"Part of the reason for Canada's elevation is very longstanding frustration with enforcement and protection issues," the official told reporters.

# Farm loan disbursement rises 2.55pc in Jul-Mar

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Besides, a section of depositors has recently withdrawn funds as confidence in the banking sector waned to some extent because of rising financial scams.

The Bangladesh Association of Banks, an organisation of the owners of banks, has recently sought cooperation from the finance ministry so farm loans are disbursed on a mandatory basis.

Banks are bound to set aside 2.50 percent of their distributed loans in a fiscal year as farm loans as per a central bank instruction.

Banks also have to disburse the farm loan at an interest rate of 9 percent, but lending rates for all credit products have risen because of cash shortages, they said.

The latest liquidity crunch has forced banks to raise the interest rates for both lending and deposits.

An official of a commercial bank, however, said that farm loan disbursement would not go down significantly because of the central bank's agriculture loan policy.

# NBR moves to tax Facebook, Google

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In addition, a 15 percent VAT is to be paid by the advertisers on the bills served by digital companies.

On April 12, the High Court ordered the government to realise appropriate tax, VAT and other charges from the revenues earned by different digital platforms like Google, Facebook, Amazon, Yahoo and YouTube.

In response to a writ petition, the court also asked the government to form a special committee to assess the amount of their financial transactions in recent years and to submit an assessment report by June 25.

The move comes as the European Union also plans to slap a new tax on digital firms.

The European commission placed a proposal on March 21 to collect 3 percent tax from large tech companies if they make money from user data or digital advertising in a country, regardless of their bricks-and-mortar presence.

As well as social media companies making money through user data, the move would also catch online market places, such as Airbnb and Uber.

Taxmen, however, said even though there is a provision of collecting withholding income tax and VAT from revenues and payment to tech companies, an insignificant amount of tax could be collected in the absence of proper monitoring.

# Monitoring centre for telecom services on cards: BTRC

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At present, the BTRC struggles to complete its regular task of auditing the operators on time as it has to depend on service-related papers, for which a lot of time and effort is required.

The centre will help to monitor the different telecom services round-the-clock, he said. The monitoring team will then prepare a report, based on which punitive measures will be recommended.

The telecom watchdog has also decided to allocate Tk 10 crore for the centre in its next budget.

Moreover, the BTRC is finalising a new set of regulations under which the telecom and internet service providers will have to pay the penalty for non-compliance with the service standards set by the regulator.

# Indonesia fair draws orders of $274m

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A trade mission representing over 45 companies attended an event titled Business Forum and Business Matching; their visit was a follow-up of President Joko Widodo's visit in January 2018.

The mission also visited the Meghna Group of Industries, which imports Indonesian crude palm oil, pulp and paper and clinker. Arlinda also invited Bangladeshi business leaders to attend the 33rd Trade Expo Indonesia at Indonesia Convention Exhibition in Banten province on October 24-28.

# Macron's digital tax plan faces EU rebuff

AFP, *Sofia*

French President Emmanuel Macron's ambitious plans for an EU digital tax targeting US tech giants such as Google or Facebook faced strong headwinds on Saturday, provoking anger from Paris.

Finance ministers from the EU's 28 member states discussed a controversial proposal aimed at claiming a bigger share of billions of euros from mainly US multinationals that shift earnings around Europe so as to pay lower tax rates.

Many of the countries expressed caution out of fear of scaring off high tech investment, but also of provoking US President Donald Trump while the threat of an EU-US trade war still looms.

"We are not putting on the brakes, but we do not want a stand alone solution that will not work," said Luxembourg Finance Minister Pierre Gramegna as he arrived for talks in Sofia, Bulgaria.

"I will insist that we talk to the Americans quickly and constructively otherwise it could lead to an escalation with America, knowing that we already have trade war rhetoric," he added.

Luxembourg hosts the EU headquarters for Amazon and along with Facebook and Apple hub Ireland, is loathe to see US tech giants head for the exit.

A European source said the lukewarm response, which also included a muted Germany, drew the "cold fury" of French Finance Minister Bruno Le Maire who asked ministers if Europe would "be strong or not".

"One thing I learnt from my week in the USA with President Macron: the Americans will only respect a show of strength," Le Maire said in the closed-door session, according to the source.

Getting all countries on board is crucial as tax reforms in the EU require unanimity and the backing of Berlin is especially key.

But Finance Minister Olaf Scholz was reported to have stayed mum during the heated debate, although he said Germany was behind the principle of the digital tax. Taxing the likes of Facebook was "a big moral question", Scholz told a joint news conference with Le Maire after the talks.

"There is no country that could accept what we see today that big companies are not (taxed)," Scholz said.

The special tax is the latest measure by the European Union to rein in Silicon Valley giants and France would like a deal by the end of the year.

"It is not an anti (US tech giant) tax, it is not an anti US tax, it is not a protectionist approach, it is something which it is in interest of all Europeans wherever they live," said EU Economic Affairs Commissioner Pierre Moscovici, who is driving the plan.

The transatlantic shot across the bow has been championed by Macron who believes the measure would be a popular accomplishment for the EU ahead of European elections next year, in which anti-Brussels populists could do well.

The most controversial part of the plan is to slap an emergency tax on digital companies with worldwide annual turnover above 750 million euros ($924 million), such as Facebook, Google, Twitter, Airbnb and Uber.

EU members would adopt this tax unilaterally, without cooperating with the US and other countries from the OECD, the club of developed countries that has coordinated major corporate tax reforms worldwide.

"On the European level I doubt it's going to be soon because to have consensus on tax issues is not easy," said Slovak Finance Minister Peter Kazimir.

"We are ready to do it (but) on a national level ... in line with OECD recommendations," he added.

PETROMAX

**Models pose at the launch of Petromax LPG, a new manufacturer of liquefied petroleum gas at Bangabandhu International Conference Centre in the capital yesterday.**

# Refining margins hurt Exxon, Chevron quarterly results

REUTERS, *Houston*

Weak refining margins hurt Exxon Mobil Corp and Chevron Corp's first-quarter profit, cutting into overall gains from rising oil prices.

It was the second consecutive quarter that refining weakness, especially outside the United States, clipped improved profit.

Strength in the Chevron division that pumps oil and gas helped overcome the refining weakness and beat Wall Street profit expectations for the quarter.

Exxon, though, has struggled in recent quarters to boost oil and gas output, and its overall first-quarterly results badly lagged expectations.

Shares of Exxon fell 3.7 percent to $77.88 in afternoon trading while Chevron rose 1.9 percent to $126.64. Exxon is off about 6.6 percent in the last two years while Chevron has soared 24.5 percent.

"While the fourth quarter was a disaster for both, Chevron got back on track" in the first quarter, said Brian Youngberg, an oil industry analyst at Edward Jones. "Exxon's still trying to get back on the road."

Both Exxon and Chevron have consistently touted the benefits of owning businesses that produce and refine oil, saying they better balance earnings as commodity prices rise and fall.

U.S. oil prices fell slightly to $67.98 per barrel.

Rising oil prices typically harm refiners by squeezing their margins on products, but they also boost profit at divisions that produce crude.

The strategy worked for Chevron during the quarter, helping the company top Wall Street expectations. At Exxon, weak refining results were coupled with lower oil production, fueling concern about Chief Executive Officer Darren Woods' turnaround plan for the world's largest publicly traded oil producer.

Refining margins in Europe <BRT-ROT-REF>, for instance, fell more than 14 percent in the quarter and were on track for a 38 percent drop in the second period, the biggest quarterly decline since the fourth quarter of 2015.

Profit fell 12 percent in Exxon's downstream refining unit, and 14 percent in its chemical unit.

At Chevron, earnings in refining and chemical operations dropped 21 percent to $728 million.

Both companies have sought to bolster refining operations. Reuters reported earlier this month that they have asked U.S. regulators for exemptions to U.S. biofuels rules that are typically only given to small companies in financial distress.

Both companies said they are accelerating shale drilling in the Permian Basin of west Texas and New Mexico, the largest U.S. oilfield, helping to lift the nation's output so far this year to more than 10 million barrels per day, a new record.

Exxon's U.S. production swung to a $429 million profit from a year-earlier loss. But Exxon has continued to invest heavily in projects that will not produce oil or gas for years. In contrast, Chevron is benefiting from past investments that have boosted output, especially in liquefied natural gas.