

ECONOMIC GROWTH

# Bangladesh, an example for other Asian countries: ADB chief

UNB, Manila

ADB President Takehiko Nakao yesterday appreciated the economic growth Bangladesh has achieved in the recent years, saying "the success stories of the country can be a very good example for other Asian countries".

Industries like readymade garments, commitment to better education and stable economy played the key role in having an impressive growth in Bangladesh in the past years, Nakao said.

He told news agency UNB at a press conference at the headquarters of the Asian Development Bank (ADB) in Dhaka.

"We're supporting Bangladesh in many areas, including infrastructure, water and Dhaka city projects," he said adding that there is a very good example of progress in infrastructure projects.

The ADB chief said they are providing support for education sector to bring in more scientific and ICT-related education.

"We're also providing support [to ensure] better workplace through our technical assistance."

He said their lending to Bangladesh is "very strong" and will continue that support. He mentioned that many countries, including Bangladesh, were poor when the ADB was established.



ADB President Takehiko Nakao

This high economic growth has enabled Bangladesh to attain the middle-income status in July 2015 and helped cut poverty from about 49 percent in 2000 to 24 percent in 2016.

Nakao visited Bangladesh in February this year and had meetings with Prime Minister Sheikh Hasina, Finance Minister AMA Muhith and other senior officials during the three-day visit when he committed to further strengthen ADB's 45-year

partnership with the country.

Asked about his meeting with Muhith, Nakao said: "I'm looking for further discussions with Bangladesh."

Muhith is scheduled to have a meeting with Nakao on Sunday.

On Rohingya issue, the ADB president said they are aware of the humanitarian aspect of the refugee crisis and the impact the Rohingya influx would leave on Bangladesh economy.

"We're prepared to support them. We're waiting for their (Bangladesh-Myanmar) requests."

During his recent Bangladesh visit, Nakao commended the way Bangladesh handled the situation that has seen an influx into its borders of over 700,000 people from Myanmar since August 25, 2017.

Nakao reiterated ADB's offer of support to help the government address the crisis, if requested.

ADB's Country Partnership Strategy for Bangladesh proposes total assistance of \$8 billion, including for non-sovereign operations, during the period of 2016-20, which is 60 percent up from \$5 billion in 2011-15.

In 2016-17, the ADB approved \$2.5 billion in sovereign and \$600 million in non-sovereign assistance.

To support government efforts, the ADB will provide additional resources depending on need, performance of ongoing projects and readiness of new projects.

Bangladesh joined the ADB in 1973 and became its first member in 1982 to host a field office.

To date, more than \$20 billion in ADB loans, grants, and technical assistance has been approved for Bangladesh.

The approved non-sovereign loans, equity investments and guarantees have totalled \$985.28 million.

## IPDC Finance gets new DMD

STAR BUSINESS DESK

Rizwan Dawood Shams has recently been appointed as the deputy managing director of IPDC Finance Ltd.

Prior to the promotion, he was general manager and head of business finance and special asset management of IPDC, the non-bank financial institution said in a statement yesterday.

Shams also worked for GSP Finance Company, Habib Bank, Standard Chartered Bank in different strategic senior positions.

He holds a master's in business administration from Victoria University of Melbourne, Australia.



Rizwan Dawood Shams

## Oil edges up

REUTERS, London

Oil prices edged higher on Thursday despite swelling US crude inventories and record weekly US production, as focus shifted back to Opec supply cuts and the potential of new US sanctions against Iran.

Brent crude oil futures were at \$73.56 per barrel at 0947 GMT, up 20 cents from their last close. US West Texas Intermediate (WTI) crude futures were 25 cents higher at \$68.18 per barrel. Prices were pulled down in earlier trading by a Wednesday report from the US Energy Information Administration (EIA) showing a 6.2-million-barrel jump in US crude inventories C-STK-T-EIA.

But by European trading hours, the focus shifted to bullish factors, such as an increase in Saudi Arabia's official selling price of its oil to Asia, according to Commerzbank analyst Carsten Fritsch.

"It may signal stronger-than-expected demand in Asia," Fritsch said. "This, combined with constraints in (Opec) production, could lead to higher prices."

State-owned producer Saudi Aramco on Wednesday raised the June price for its Arab Light grade for Asian customers to a premium of \$1.90 a barrel to the Oman/Dubai average, the highest since August 2014. Additionally, the latest Reuters survey of Opec production showed it pumped around 32 million barrels per day (bpd) in April, slightly below its target of 32.5 million bpd, due largely to plunging output in Venezuela. Fritsch said the cuts, along with demand growth, were more than offsetting the increase in US oil.

US oil production rose to a record of 10.62 million bpd, putting it ahead of Saudi Arabia, the biggest Opec producer.

Only Russia pumps more, at around 11 million bpd.

US drilling for new production is also increasing, encouraged by rising prices following Opec's production curbs.

But the May 12 deadline for US President Donald Trump to decide whether to continue waiving US sanctions against Iran was also buffeting downward pressure on prices.

"Overall, we continue to trade a waiting game for the US decision on Iran, waiting to have sanction headlines trigger some frenzied buying," said Olivier Jakob, managing director of energy consultancy PetroMatrix.

# Slowing growth is another headwind for Asian currencies

REUTERS

The spectre of slower global economic growth presents another threat for Asian currencies, many of which are already under pressure from rising US yields and capital outflows.

Recent economic data showing a cooling in Asian exports and in business activity in the United States and Europe, coupled with the risk that trade tensions will further undermine global supply chains, poses a risk to Asian currencies which had held up last year even as the Federal Reserve raised policy rates.

"The strengthening in the global economy since second half of last year has supported Asian currencies and that was one of the reasons why they were largely able to brush off higher US yields last year," said Khoon Goh, head of Asia research at ANZ

Banking Group.

"But with early signs that we could be seeing a peak in growth with March PMI numbers largely disappointing, there is a concern that 'if the growth start to slow-down, then that is one less supportive factor for Asian currencies'."

Moreover, unlike last year, when there were bursts of volatility in Treasury yields, this year's sustained rise in yields could force dollar borrowers to pull money out of emerging markets. That could embolden regional currency bears.

The US 10-year Treasury yield breached the psychological level of 3 percent last month. However, its 20-day volatility is hovering near 8-year lows of 15.86 percent hit in April.

"At the beginning of the year, increased volatility discouraged foreign investment in US bonds, including from Japan, but

smoother rises in US yields may attract foreign demand more easily," said Yujiro Goto, senior FX strategist at Nomura in a note.

"As long as rises in foreign yields are smooth, further upside in dollar-yen and euro-yen is possible."

The yield spread of Japanese and Thai bonds over US Treasuries narrowed to a 11-year low last week, while Malaysian bond's spreads are hovering near a 4-1/2 year low hit in March.

With the Fed being the only major central bank set to raise interest rates in this quarter, most analysts expect further upside in US bond yields.

The dwindling yield premium in emerging markets is already driving foreigners out of Asian bond and equity markets.

Data from seven Asian stock exchanges showed foreign outflows totalled about

\$3.5 billion in April, extending the year's tally to \$8.2 billion. South Korea, India and Indonesian markets led the outflows last month. Wei Liang, FX strategist at Mizuho Bank expects \$1 billion worth of foreign outflows from Malaysia, Indonesia and Thailand bond markets for every 10 basis point increase in US 10-year Treasury yields, based on his regression analysis.

Rising crude oil prices are a risk for currencies of the two net oil importers, India and Indonesia, which also have among the highest current account deficits in the region. ANZ's Goh expects a varied performance for regional currencies for the rest of the year.

He favours the Singapore dollar due to the central bank's recent tightening and the Thai baht for its higher current account surplus. "Those with deteriorating external imbalances, like India in particular, will

## Rural purchases to boost Indian gold demand: global council



REUTERS/FILE

A saleswoman displays a gold necklace to a customer inside a jewellery showroom on the occasion of Akshaya Tritiya, a major gold buying festival, in Mumbai.

REUTERS, Mumbai

Indian gold demand may improve through to December as positive monsoon rains and government efforts to raise farmer incomes could boost rural purchases enough to offset higher prices because of the weak rupee, the World Gold Council (WGC) said.

India is the world's second-biggest gold consumer and higher demand there could support global prices that have risen over 5 percent since mid-December, although a rise in imports of the metal would widen India's trade deficit.

The government's measures to boost rural incomes by increasing the subsidised prices for food grains and the forecast for a normal monsoon rains in 2018 will bolster demand, Somasundaram PR, the managing director of WGC's Indian operations, told Reuters on Thursday.

"The aggregate demand in April to December would be higher than last year's three quarters," he said.

Two-thirds of India's gold demand comes from rural areas, where jewellery is a traditional store of wealth.

The country is likely to receive average monsoon rains in 2018, the India Meteorological Department said in April, potentially raising farm and economic

growth in Asia's third-biggest economy, where half of the farmland lacks irrigation.

India, which sets a minimum support price (MSP) for nearly two dozen farm commodities, said in its budget in February that the MSP will be set at a minimum of 1-1/2 times the cost of production.

In the quarter that ended in March, Indian gold demand fell 12 percent from a year ago to 115.6 tonnes as jewellery demand dropped to the second-lowest level in ten years after local prices jumped, the WGC said in a report published on Thursday.

In the local market, gold futures were trading near their highest level in 20 months as the rupee depreciated to the lowest level in nearly 14 months.

Demand also fell as the number of days considered lucky for weddings in the March quarter fell, Somasundaram said.

Last quarter there were only seven auspicious days compared with 22 a year ago. However, the rest of the year will have the same as the same period in 2017, he said.

Gold is an essential part of a bride's dowry in India and also a popular gift from family and guests at weddings.

India's gold consumption in 2018 is likely to be between 700 and 800 tonnes versus 737.5 tonnes last year, Somasundaram said. Indian demand has

# Measuring Macron: Is France's leader rebooting the economy?

REUTERS, Paris

French President Emmanuel Macron swept into office last May on a pledge to create jobs and improve the lives of workers by rebooting the country's economy.

A year on, annual economic growth has picked up — closing the gap with Germany and pulling away from other major European powers such as Britain and Italy. The pace of new business openings have increased sharply and improvements in the jobs market have left some employers warning about skilled workers being in short supply.

But economists say the rosier picture is due at least in part to stronger growth across Europe as well as policies put in place by Macron's predecessor, Francois Hollande.

To help measure Macron's impact on the economy, Reuters has compiled a graphic showing a dashboard of indicators that will update as new data is released over the course of his presidency.

The data show some early signs that the president's policies are having an effect among entrepreneurs and in the labor market. But there has been little change in disposable income for workers and efforts to reverse years of declining competitiveness don't appear to have borne fruit.

Macron's ability to re-invigorate the euro zone's second-largest economy will be a critical factor in how his success is measured at home. It will also shape how much influence he can bring to bear in Europe, where he is trying to convince Germany of the need to further overhaul economic and monetary union to bolster the euro zone against future crises.

While the economy grew quickly after Macron's election, it slowed at the start of this year due in part due to one-off factors that curtailed consumer spending, according to figures released Friday. Economists



French President Emmanuel Macron

said they expect growth to return to a healthy clip.

Macron has repeatedly said his reforms would start to have a significant impact 18 months to two years into his presidency. An Elysee adviser told Reuters there was no time frame for improving the economic outlook. "That's why we're not cheering about the current upturn, because we're perfectly aware that to a large extent it's down to the economic context."

When Macron took office in May, the French economy was starting to rebound after years of unimpressive growth. That gave him a firm footing on which to confront France's historically muscular trade unions as he seeks to reshape economic and social policy.

A former investment banker, Macron had been a minister in the Hollande's government, before quitting to launch his own political movement. Barely a year later, aged 39 years, he led it to electoral victory casting himself as an agent of change, of 'neither of the left nor the right.'

Macron quickly moved to start overhauling France's labor regulations to tackle unemployment, which was well above the eurozone

average.

Macron's government has provided employers more freedom to hire and fire through a loosening of labor rules, among other measures.

Initial signs appear promising for Macron. Overall unemployment in France is down to 8.9 percent, from 9.4 percent when he took office and below the 9.1 percent average for the country over the last 20 years, according to France's INSEE statistics agency. Youth unemployment is falling at an even faster pace.

Companies also are more frequently hiring on permanent contracts as opposed to short-term ones. The level approached 49 percent in February, a level only rarely seen over the past two decades, according to Reuters analysis of data from the ACOSS national payroll agency.

However, economists say the increase in permanent contracts appears only partly due to Macron's policies as numbers were rising before he assumed office. A shortage of skilled labor is also helping workers negotiate more favorable terms.

The most marked difference is in the rate at which new businesses are starting up. Macron had made a high-profile push to encourage

entrepreneurship, promising within weeks of his election to transform France into a "nation of start-ups."

In its first budget, Macron's government scrapped a wealth tax long-opposed by entrepreneurs and set a flat 30 percent tax for all capital income.

The number of new businesses opening spiked in the immediate aftermath of Macron's election as president and the rate has continued to grow at a double-digit pace.

The business community says Macron's arrival has brought about a dramatic change in attitude to entrepreneurship in a country where people traditionally have been reluctant to take the risk of starting new businesses.

Landing a job at a bank or a household brand is no longer the sole badge of success for graduates of top business schools, such as HEC, said Olivier Millet, the head of venture-capital lobby France Invest.

"There's a political message when HEC students are not going into finance or marketing but into entrepreneurship," he said. "You haven't succeeded in life unless you've started a company."

The reforms have prompted some political opponents to dub him "president of the rich," an idea he dismisses saying he has no problem with wealth as long as it benefits the broader economy.

Another key factor for voters and the economy is whether French workers notice any improvement in their wallets.

So far, households have seen little increase in disposable income, according to INSEE, the statistics agency. And, what increase there has been in wage growth has largely been offset by higher inflation, leaving gross disposable income growth stagnant since Macron took office.

Macron has introduced some tax cuts, such as reductions to workers payroll tax, but they are being phased in over time to ease the impact on public finances.