



Durand Mehdadur Rahman, deputy managing director of Uttara Motors, the sole distributor of Bajaj motorcycles in Bangladesh, presents the first prize of the company's raffle draw on purchases for Ramadan at its corporate office in Dhaka on May 24. A total of Tk 1 crore will be given away through weekly draws till June 23.

US reaches deal to keep China's ZTE in business

REUTERS, Washington

The Trump administration told lawmakers the US government has reached a deal to put Chinese telecommunications company ZTE Corp back in business after it pays a significant fine and makes management changes, a senior congressional aide said on Friday.

US President Donald Trump appeared to confirm the deal in a tweet late on Friday. "I closed it down then let it reopen with high level security guarantees, change of management and board, must purchase US parts and pay a \$1.3 Billion fine."

The reported deal involving China's second-largest telecommunications equipment maker ran into immediate resistance in Congress,

where Democrats and Trump's fellow Republicans accused him of bending to pressure from Beijing to ease up on a company that US intelligence officials have suggested poses a significant risk to US national security.

ZTE was banned in April from buying US technology components for seven years for breaking an agreement reached after it violated US sanctions against Iran and North Korea. After ZTE makes a series of changes it would now be allowed to resume business with US companies, including chipmaker Qualcomm Inc.

The deal, earlier communicated to officials on Capitol Hill by the Commerce Department, requires ZTE to pay a substantial fine, place US compliance officers at the company and change its management team, the

aide said.

The Commerce Department would then lift an order issued in April preventing ZTE from buying US products. ZTE shut down most of its production after the ruling was announced.

Fox News said Trump told them on Thursday that he had negotiated the \$1.3 billion fine with Chinese President Xi Jinping in a phone call.

ZTE, which is publicly traded but whose largest shareholder is a Chinese state-owned enterprise, agreed last year to pay a nearly \$900 million penalty and open its books to a US monitor. The penalty stemmed from for breaking an agreement after it was caught illegally shipping US goods to Iran and North Korea, in an investigation dating to the Obama administration.

India state banks' bailout stumbles as losses mount

REUTERS, Mumbai

When the government announced a surprise \$32 billion bailout plan for the nation's state-controlled banks last October, credit rating firms and the nation's central bank saw it as a huge step to getting the industry back to robust health - and lending more to businesses and consumers.

But their optimism may have been majorly misplaced judging by the latest numbers coming out of the banks. And that may in turn crimp economic growth in Asia's third-largest economy.

Thirteen state banks have reported combined losses of \$8.6 billion for the year to March - including \$6.5 billion in the last quarter - and their non-performing loans have surged nearly a fifth from end-December levels. Two state banks have reported modest profits and six are still to report.

While many of the banks, including top lender State Bank of India, have said the worst is proba-

capital from the market will have to curtail their lending. The 21 state lenders hold two-thirds of India's banking assets, and accounted for the bulk of the record \$150 billion of soured loans in the banking sector last year.

The banks, which have been blamed for indiscriminate lending to sectors such as metals and power that turned sour, can still be held responsible for much of the balance sheet carnage.

A more than \$2 billion fraud at India's second-biggest state lender, Punjab National Bank, disclosed less than four months ago, not only left a hole but also underlined how weak the banks' grip on risks is.

Exacerbating the problems is a move in February by the Reserve Bank of India, the nation's central bank, to withdraw half a dozen loan restructuring schemes that banking experts said were helping banks to avoid disclosing dud loans. It also tightened other rules governing bad

come under similar restrictions aimed at conserving limited capital. The RBI already has 11 state lenders under its "prompt corrective action" framework that restricts them from expanding.

That is not all. Capital needs will also be exposed by global banking rules fully kicking in by March 2019. They mandate banks to have a minimum core capital ratio of 8 percent, and at least six banks, including PNB are short of that number.

Under New Delhi's recapitalisation plan - aimed mainly at driving credit growth in an economy where bank loans are the main source of funding for everything from buying a car to building a port - the government has already injected about 880 billion rupees (\$13 billion) into 20 banks as of end-March.

It has 650 billion rupees to inject in the current fiscal year, and the banks themselves were supposed to raise 580 billion rupees through share and asset sales.

Some, including SBI and PNB, last year raised funds from share sales, but several others have postponed such plans.

Kariwala at India Ratings estimates the banks now need 800 billion to 1 trillion rupees to fund soured-asset provisions and maintain minimum capital ratios alone, which means there will be little left from the bailout for lending growth.

Some bank analysts say the government may have to increase the size of the bailout.

Certainly, bank lending - and its impact on growth - will be on Prime Minister Narendra Modi's agenda ahead of a general election that has to be held within a year.

"Given how the stocks are doing, the nearly 0.6 trillion rupees banks need to raise looks difficult. So, the government may have to slightly increase the amount they are planning to inject," said Srikanth Vadlamani, vice president of the Financial Institutions Group at Moody's Investors Service.

Moody's said this week that PNB alone would need 120-130 billion rupees of new capital in the year to March to achieve an 8 percent core capital ratio. At the end of the last quarter it was at just 5.95 percent.

Businesses, especially the smaller ones, are already complaining of not getting the loans they want.

In February to March, lending to small businesses dropped 0.2 percent, though overall lending grew 5.9 percent.



REUTERS/FILE

A man reads a newspaper outside a branch of Punjab National Bank in Ahmedabad, India.

bly over, they still see one or two more quarters of pain. That means more bad loans getting disclosed and loss provisions shooting up as a central bank order will cause more debt defaulters to be dragged into bankruptcy.

"The government capital is only going to just plug the hole, there is definitely no growth capital," said Udit Kariwala, an analyst at Fitch Ratings' India Ratings & Research. He said smaller state lenders with limited ability to raise

loan accounting.

In addition, the RBI this month banned Dena Bank, a loss-making smaller state-run lender, from making any new loans. Days later, Allahabad Bank, another smaller state-run lender, said it had been asked by the regulator not to increase the number of risky loans and costly deposits on its books due to its capital and leverage position.

Bank analysts say more state banks could

UK economy caught in Brexit crossfire

AFP, London

Britain's economy has grown at the slowest pace in more than five years, official data showed Friday, as Bank of England governor Mark Carney warned about a "disorderly" Brexit transition.

Gross domestic product expanded 0.1 percent in the first quarter of the year, the Office for National Statistics (ONS) said in a statement, confirming an initial estimate.

In a speech late Thursday, Carney warned that the UK central bank's Monetary Policy Committee (MPC) could take action similar to that following the Brexit referendum vote, when it cut its main interest rate under an emergency package of measures aimed at stimulating the British economy. "A sharper Brexit could put monetary policy on a different path" to market expectation of rate hikes, Carney told a group of economists in London.

"For example, if the transition were disorderly, or the end state agreement materially worse than the average potential outcome, then the MPC (...) can be expected to set policy to manage any trade-off using the framework it applied following the referendum."

After Britain voted in June 2016 in favour of exiting the European Union, the Bank of England quickly cut its main interest rate by a quarter point to 0.25 percent. It has since lifted borrowing costs back up to 0.50 percent to help bring down inflation.

Britain's Brexit transition period is due to run from the country's EU departure in March 2019 until the end of 2020.

British lawmakers however on Thursday warned that Britain may have to extend its post-Brexit transition period as far as 2023 to avoid a hard border between Northern Ireland in the UK and Ireland. And Brussels has said there needs to be progress on the key issue of the future of the Irish border by the June 28-29 EU summit to get a Brexit deal by the time Britain leaves next year.

"A worsening of the UK's economic outlook or the increased likelihood of a more disruptive Brexit could well see the BoE follow the European Central Bank in delaying the process of monetary normalisation," Pablo Shah, economist at the Centre for Economics and Business Research said on Friday.

Cash Management and Trade Finance Eastern Bank Limited



EBL

Ziaul Karim, head of brand and communication of Eastern Bank, receives "The Asian Banker Transaction Awards 2018" in China World Hotel in Beijing on May 24 on the lender being adjudged "Best Cash Management Bank" and "Best Trade Finance Bank" in Bangladesh.

Tesla flies in new battery production line for Gigafactory

REUTERS, Frankfurt/San Francisco

Tesla Inc has flown six planes full of robots and equipment from Europe to California in an unusual, high-stakes effort to speed up battery production for its Model 3 electric sedan, people familiar with the matter told Reuters this week.

Transporting equipment for a production line by air is costly and hardly ever done in the automotive industry, and the move underscores Tesla Chief Executive Elon Musk's urgency to get a grip on manufacturing problems that have hobbled the launch of the high-volume Model 3 and pushed Tesla's finances deep into the red.

"As usual with Tesla, everything is being done in a massive hurry and money seems to be no obstacle," said one of the two sources.

Tesla on Friday declined to comment on whether it has shipped in any new production equipment from Europe.

Investors are closely watching Tesla and its high-profile, often brash CEO to see if the upstart electric vehicle maker can pull off high-volume production of the Model 3, a car with the potential to catapult the niche automaker to a mass producer and assure its financial stability.

But manufacturing missteps have led Tesla to repeatedly miss production targets for the sedan, and raised doubts about Musk's promises that the company will stop burning cash by the third quarter of this year.

Meghan Markle makes gold sales sparkle

REUTERS, New York

The Meghan Markle effect has spread to yellow gold jewelry, helping boost United States sales in the first quarter of 2018 with further gains expected, jewelers said.

The first three months of the year were the strongest first quarter for gold jewelry

demand in the United States since 2009, according to the World Gold Council. Sellers say that is due in no small part to the public's fascination with American actor Meghan Markle, who was engaged to Britain's Prince Harry last November and who married him in a dazzling ceremony on Saturday.



AFP

Britain's Prince Harry and his wife Meghan Markle wave as they head back towards Windsor Castle in Windsor after their wedding ceremony on May 19.

Meghan, Duchess of Sussex, favors yellow gold.

"Around that time (of the engagement), we started seeing more sales of yellow gold and the last couple months it's increased more," David Borochoy, of New York-based R&R Jewelers, said on Thursday. "Yellow gold jewelry sales have risen about 30 percent this year."

For the last 15 years, white gold, silver and platinum have been the metals of choice for jewelry and couples tying the knot, jewelers said. Over the last few years, rose gold has become a favorite, while yellow gold was considered outdated.

Borochoy said he typically sells about 70 to 80 percent in white gold and platinum, and 20 to 30 percent in yellow and rose gold. He expects the latter to increase.

"We saw an increase of about 20 percent (in yellow gold jewelry sales) from the beginning of the year," said Nerik Shimunov, owner of Crown Jewelers in New York, which specializes in custom jewelry pieces for celebrities.

Meghan and Harry told the BBC in November that yellow gold is her favorite; her engagement ring is set in that metal.

Gold jewelry sales at Chicago-based Daniel Levy Jewelry increased by 10 percent after the engagement, "primarily because of the surplus of white gold," said Daniel Levy, though he noted a recognizable shift to yellow gold.

Audi CEO says diesel crisis not over and vows to stay on: report

REUTERS, Frankfurt

Audi Chief Executive Rupert Stadler said the diesel emissions affair was not over and promised to stay at the helm of the German luxury car maker, a German newspaper reported on Saturday.

Stadler also told the Augsburg Allgemeine newspaper that he did not rule out further vehicle recalls.

Audi said this month it had discovered emissions-related problems with a further 60,000 cars, dealing a fresh setback to its parent Volkswagen more than 2-1/2 years after it first admitted to cheating US diesel exhaust tests.

"We are still running into issues that we report immediately to regulators," Stadler told the newspaper. "The diesel crisis hasn't yet ended."

Audi's chairman appealed to workers earlier this year to ignore a media report that Stadler was about to be ousted in an effort to quell further unrest Volkswagen.

Stadler told the newspaper he was not planning to give up.

"I feel responsibility, and as long as I have the full support of the supervisory board and management, I accept this responsibility to solve the problem and lead the company into the future," he said.