



**Md Arfan Ali, president and managing director of Bank Asia, and Tim Russell, chief of party of the USAID-financed "Feed the Future Bangladesh Rice and Diversified Crops Activity", exchange documents after signing a deal on digital financial inclusion of smallholder farmers at the bank's corporate head office in Dhaka on May 31.**

## Australia keeps rates on hold ahead of growth data

AFP, Sydney

Australia's central bank kept interest rates at a record low Tuesday for a 20th consecutive meeting as it waits for signs of wage and price inflation as well as a drop in unemployment.

The widely expected decision was made ahead of growth data Wednesday, with economists tipping the economy to have expanded a solid 0.9 percent in January-March, and at an annual rate of 2.8 percent.

This would keep it on track to meet the RBA's target of three percent this year, helping reduce spare capacity in the economy.

The central bank said this would lead to a further decline in the unemployment rate, which has been hovering around 5.5 percent for some time.

In turn, it would spark a slow pick-up in currently tepid wages growth and inflation, which is forecast to move above two percent this year. "Further progress in reducing unemployment and having inflation return to target is expected, although this progress is likely to be gradual," Reserve Bank of Australia governor Philip Lowe said.

"Business conditions are positive and non-mining business investment is increasing. Higher levels of public infrastructure investment are also supporting the economy. Stronger growth in exports is expected." Lowe highlighted slow growth in household income and high debt levels as a "continuing source of uncertainty", but noted that rampant housing markets in Sydney and Melbourne had slowed.

## Europe up against Asian juggernaut in electric car battery drive

REUTERS, London/Frankfurt/Stockholm

Chinese electric vehicle giant BYD is looking at launching battery production in Europe, joining Asian rivals aiming to cash in on a green car revolution and threatening attempts by Brussels to nurture a home-grown industry.

Keen to capture a European car battery value chain that will be worth an estimated 250 billion euros (\$290 billion) by 2025, the European Commission launched an alliance of local companies last year aiming to build 10-20 huge battery factories.

But only Sweden's Northvolt have plans for large lithium-ion battery factories in Europe so far and some leading European carmakers have already struck deals with Asian suppliers setting up in Hungary and Poland. "We are considering cell production outside of China and that includes Europe," Julia Chen, Global Sales Director at BYD Batteries, told Reuters, speaking about the production of both automotive and home storage batteries.

BYD, which also makes electric buses, cars and solar panels, said it was not clear where in Europe a battery site might be. "It would be possible wherever there's a market." The company, which is backed by Warren Buffett's Berkshire Hathaway, joins Korea's SK Innovation, Japan's GS Yuasa Corp and China's Contemporary Amperex Technology in looking to locate battery plants in Europe.

South Korea's LG Chem, Samsung SDI both have European factories due to open soon while China's GSR Capital already produces battery cells at a UK plant it bought from Nissan.

While Asian electric vehicle (EV) cell battery factories in Europe would bring jobs, Brussels is concerned companies in the bloc are missing out on a growth industry and risk becoming dependent on foreign technology.

"We have to move fast because here we are in a global race. We need to prevent technological dependence on competitors," European Commission Vice President Maros Sefcovic said at the launch of the European Battery Alliance's action

plan in May.

But some investors say they are wary of backing European EV battery suppliers after seeing local solar panel firms founder in the face of cheap Chinese imports over the past decade.

European battery companies would need billions in EU support to rival Asian firms that have received similar state subsidies and Brussels may be better off promoting next-generation solid-state EV batteries instead, investors say.

"I don't believe anyone in Europe can be competitive with the Asians," said Gerard Reid, founder of Alexa Capital, which advises firms in the energy, technology and power infrastructure sectors.

Electric and hybrid vehicles are expected to account for 30 percent of the global auto market by 2030, according to metal consultants CRU, up from 4 percent of the 86 million vehicles sold last year.

Global automakers plan to invest at least \$90 billion in electric cars and batteries, the most expensive component in the vehicles, to finance hundreds of new models over the next five years.

For now, carmakers in Europe have been importing batteries from Asia, but as production ramps up that will become less viable. Setting up production in Europe would cut shipping costs by a quarter, consultancy P3 Group.

But some carmakers are not waiting for a European industry, instead signing contracts with Asian firms coming to the region. German's BMW said it was not involved in the European alliance while Europe's biggest automaker, Volkswagen, said it plans to get batteries from LG Chem's Polish factory due to open this year. Mercedes maker Daimler has awarded a contract to CATL.

The European Commission's plan calls for 110 million euros in battery related research, help for projects from a 2.7 billion euro EU innovation fund and the development of an EU "green battery" trademark.

Supporters of the initiative argue Europe can carve out a niche by selling green batteries produced with renewable energy and



**BYD hybrid electric SUV model Yuan is on display at the Auto China 2016 in Beijing.**

ethically sourced raw materials.

Northvolt, which has held talks with European automakers, aims to launch its \$5 billion gigafactory in late 2020 and produce 32 gigawatt hours of battery capacity each year by 2023.

But investors have been cautious about pouring money into new European battery ventures. Northvolt's first financing round, intended to raise 80 million euros to 100 million euros to help set up a test factory, took slightly longer than expected, a spokesman said.

In the end, the bulk of the financing was provided by the Swedish Energy Agency and the European Investment Bank, which provided a loan of up to 52.5 million euros.

Much of the profit from the battery value chain is generated by producers of raw materials, such as cobalt and lithium, and those who assemble cells into complex systems, experts say.

"There's been a bit of imbalance in that value chain and that's one of the reasons you see a limited amount of players in Europe," said Northvolt founder and Chief

Executive Peter Carlsson. "But we think that the model that we're applying is changing this." Carlsson, who used to work for US electric car pioneer Tesla, says Northvolt can make a profit through economies of scale, by using cheap hydropower and controlling the processing of raw materials.

But Northvolt and TerraE will probably need about \$2 billion each in government funding to build their gigafactories - given the state support provided for similar projects in Asia and the United States, said Asad Farid, an associate director at private bank Berenberg who specializes in battery technology.

Four months after the European alliance launch the world's biggest automotive supplier, Germany's Robert Bosch [ROBG.UL] abandoned plans to make battery cells, saying it was too risky.

Investors are wary because of their experience with solar panel manufacturers as well as rapid advances in technology that are slashing the price of battery packs, which consultants Arthur D puts at \$190-250 per kilowatt hour now.

## Weak demand drags India services activity into contraction

REUTERS

Activity in India's service industry shrank in May for the first time in three months as new orders stagnated, but business optimism was the highest since 2015 on expectations that demand will turn around, a business survey showed.

The Nikkei/IHS Markit Services Purchasing Managers' Index fell to 49.6 in May from April's 51.4, sinking below the 50-mark that separates growth from contraction.

While data last week showed Asia's third-largest economy grew at its quickest pace in nearly two years, the latest PMI survey suggested it may have trouble maintaining that momentum. Last quarter's faster growth, coupled with accelerating inflation, have dramatically changed expectations for the Reserve Bank of India's monetary policy. It is now expected to change its stance to hawkish as early as a policy review on Wednesday and raise rates in August.

A recent surge in the price of oil, India's biggest import item, and a sharp weakness in the rupee will be inflationary, keeping prices on an up-trend.

While the jump in input prices was evident in the latest survey, firms continued to absorb most of the cost pressure to attract dwindling demand, pressuring profit margins.

The new business sub-index, an indicator of domestic and foreign demand, fell sharply to 50.2 in May from April's 51.4, near the neutral level and remaining well below the long-run mean average of 54.3.

"The performance of the service sector was disappointing in May," Aashna Dodhia, an economist at IHS Markit, said in a release. "India saw the slowest improvement in the health of the overall economy since February in May, whilst the latest survey showed the effects of higher global oil prices as the private sector recorded the most marked input cost inflation for three months."

The survey also showed firms were turning more cautious about hiring, with the pace of job creation easing to the weakest so far this year. If the labour market continues to soften, it could put pressure on Prime Minister Narendra Modi's government ahead of next year's general elections.

A similar survey on Friday showed Indian factory activity grew at a weaker pace in May from the previous month, as weak domestic demand proved a drag on output.

Taken together, they pushed the composite PMI - which includes both manufacturing and services - to 50.4 in May from April's 51.9, barely above the 50 mark that shows growth and its lowest reading in three months.

However, services firms remained optimistic about the future, with the business expectations index rising to its highest since January 2015.

The performance of the service industry is crucial for India's economy as it contributes about 60 percent to gross domestic product.

## Britain banks £2.5b for slice of RBS

AFP, London

Britain's government on Tuesday said it had sold a small chunk of state-rescued Royal Bank of Scotland for more than £2.5 billion (\$3.3 billion, 2.8 billion euros), albeit at a loss.

Britain on Monday resumed privatisation of the Royal Bank of Scotland, which at the height of the global financial crisis a decade ago underwent the world's biggest bailout by taxpayers.

The Conservative government headed by Prime Minister Theresa May has sold a 7.7-percent stake in RBS, leaving it still with a majority holding of 62.4 percent, much of which it plans to offload through to 2023.

"Over £2.5 billion worth of government-owned RBS shares were sold last night as part of the government's policy to return the bank to private ownership," the Treasury said in a statement.

A total of 925 million shares were each sold for £2.71. However, this was at a total loss of £2.1 billion, with the government having spent about £5.0 per share in a rescue costing the taxpayer £45.5 billion.

"If the rest of the government stake is sold at a similar price then the total loss comes to something in the region of £21 billion," said Michael Hewson, market analyst at CMC Markets UK.

The government noted however that the sale would help to reduce the country's mountain of debt.

"This sale represents a significant step in returning RBS to full private ownership and putting the financial crisis behind us," finance minister Philip Hammond said in the statement.

"The government should not be in the business of owning banks.

"The proceeds of this sale will go towards reducing our national debt -- this is the right thing to do for taxpayers as we build an economy that is fit for the future," Hammond said.

The government had decided in 2015 to start selling a chunk of its stake but the plan was carried out only partially owing to the lender's low share price.

"I am pleased that the government has decided the time is now right to restart the share sale process," said RBS chief executive Ross McEwan.

It "reflects the progress we have made in building a much simpler, safer bank that is focused on delivering for its customers and its shareholders."

Since then, the Edinburgh-based lender has posted its first annual bottom-line profit since 2007 following a huge drop in litigation costs.

RBS was fined \$4.9 billion last month by the US Justice Department over its role in the sub-prime housing crisis but much of the cost had already been set aside, while the total was less than expected.

"From racking up circa £50 billion in losses in ten years due in large part to mega restructuring charges and impairment charges, the bank has turned a corner," said Markets.com analyst Neil Wilson.

Britain is meanwhile aiming to sell two-thirds of its RBS stake for roughly £15 billion over a five-year period.

Shares in RBS slid 3.5 percent to 271.20 pence on Tuesday's news to trade around the level of the sale price.



**M Ghaziul Haque, chairman of Eastern Bank, presides over the bank's 26th annual general meeting at Police Convention Hall in Dhaka yesterday. The bank approved 20 percent cash dividend for 2017. Ali Reza Iftekhar, CEO, was present.**

## Sharp to buy Toshiba PC business, issue \$1.8b in new shares

REUTERS, Tokyo

Japan's Sharp Corp said it will buy Toshiba Corp's personal computer business and issue \$1.8 billion in new shares to buy back preferred stock from banks, highlighting a swift recovery under the control of Foxconn.

The acquisition of the PC business for \$36 million marks a return by Sharp to a market it quit eight years ago, even if its comparatively low cost underscores dwindling demand in a world where many consumers spend more money on their smartphones.

The Osaka-based electronics maker will be able to use the scale of parent Foxconn, the world's biggest contract manufacturer, to produce PCs more cheaply - just as it has done with TVs.

"Foxconn is a PC contract manufacturer and

has a great deal of expertise and production capacity," said Hiromi Yamaguchi, senior analyst at Euromonitor International.

"This acquisition will prove a further catalyst for more Sharp and Foxconn synergies."

Sharp said it will take an 80.1 percent stake in Toshiba's PC unit on Oct. 1, and will retain its Dynabook brand.

Toshiba, which launched the world's first laptop PC in 1985, sold 17.7 million PCs at its peak seven years ago. That has shrunk to just 1.4 million units last year.

Bought by Foxconn, known formally as Hon Hai Precision Industry Co Ltd, two years ago, Sharp recently posted its first annual net profit in four years, helped in large part by cost cuts but also by Foxconn's sales network in China.

Sharp said it was buying back the preferred

shares, which were issued to banks in a return for a financial bailout, to reduce high interest payments.

Although the new issue will result in dilution of more than 10 percent, it is not expected to be as great as any potential dilution that could have resulted had the preferred shares been converted into regular stock.

Shares in Sharp pared steep losses after the share issue news to close 4 percent lower, giving it a market value of around \$12.8 billion.

Sharp was once known as a major supplier of high-end TVs and smartphone displays but struggled to compete with Asian rivals before it was bought by Foxconn.

It is now seeking to get back the license of the Sharp brand for TVs in North America it previously sold to China's Hisense Group.