

# Opec urges producers to ramp up investment

REUTERS, New Delhi

Opec Secretary-General Mohammad Barkindo on Tuesday urged oil producing companies to increase capacities and invest more to meet future demand as spare oil capacity shrinks worldwide.

Oil prices have rallied this year on expectations that US sanctions on Iran will strain supplies by lowering shipments from Opec's third-largest oil producer. Brent crude breached four year highs to reach \$86.74 a barrel earlier this month, the highest since 2014.

"Countries that are holding spare capacity are now shrinking because there has been less investment in exploration," Barkindo said on the sidelines of the IHS CERA conference.

The global oil sector needs about \$11 trillion in investment to meet future oil needs in the period up to 2040, Barkindo said, adding that import-dependent countries such as India were concerned about future oil supply.

Crude oil demand is expected to increase by 1.45 million barrels per day (bpd) from 2017 to 111.7 million bpd in 2040, OPEC said in its September report.

Saudi Arabia, the de facto leader of Opec, is the only oil producer with significant spare capacity on hand to supply the market if needed, and the kingdom plans to invest \$20 billion in the next few years to possibly expand its spare oil production capacity.

Barkindo said the oil markets were currently adequately supplied and balanced, but cautioned against a potential imbalance in 2019 due to higher supply.

"We will continue to ensure that the balance that we have attained after four years will be sustained going forward," he said.



Malik Samarawickrama, Sri Lankan minister for development strategies and international development; Crisanthe De Silva, Sri Lankan high commissioner to Bangladesh, and Najith Meewanage, president of the Sri Lanka Bangladesh Chamber of Commerce & Industry, attend a "Business Forum" for Sri Lankan investors in Bangladesh at the high commission in Dhaka recently.

# China's small firms get more loans on paper but not in reality

REUTERS, Beijing

Beijing is keen to show results after four rounds of policy easing, so China's big banks are playing along, highlighting their efforts to boost lending to cash-starved small firms, offering collateral waivers and setting loan targets.

But in reality, banks' loan eligibility requirements for small and medium-sized enterprises (SMEs) remain stringent, making it too difficult or too expensive for them to borrow, according to bankers and company executives.

That has forced some small firms, including exporters, to simply give up on borrowing and put investment plans on hold.

The health of millions of small firms, most privately owned, is crucial to China's efforts to ward off a sharp slowdown and mass job losses while fighting a bitter trade war with the United States.

The People's Bank of China (PBOC) has cut the amount of cash commercial lenders must hold as reserves four times since January. The latest reduction in the reserve requirement ratio (RRR) effective Oct. 15 added more than \$100 billion to the financial system, the biggest net injection this year.

To guide lending to small firms, authorities have issued directives to banks, arranged meetings between executives of banks and private firms, and doled out tax breaks for banks' "micro-loans". Big banks are keen to show they are heeding the call.

Industrial and Commercial Bank of China (ICBC), the country's biggest state-



A man walks past the People's Bank of China's headquarters in Beijing.

controlled lender, says it has opened 230 centers nationwide dedicated to serving small business borrowers.

Interest rates on ICBC's loans to small business averaged 4.64 percent in August, it said. That is below the average corporate lending rate of 5.97 percent in the second quarter.

China's monetary policy transmission mechanism is working, as corporate lending rates have been falling month-on-month since June, PBOC Governor Yi Gang was quoted by Chinese financial magazine Caixin as saying in an interview published on Saturday.

Agricultural Bank of China, the country's third-largest bank, has put a cap on lending rates at 7.5 percent above the benchmark lending rate in Wenzhou, according to a local bank official.

AgBank has also set a target on loan issuance to small firms in Wenzhou, while some companies do not need to offer collateral if they have sound tax records, the official said.

Wenzhou, a bustling port city in Zhejiang province, is known for its entrepreneurs. Other provinces with a high concentration of privately owned small companies include Guangdong, Jiangsu and Fujian, all on the coast. Yet, many

small firms say financing conditions remain tight, and official data showed 5.04 million businesses went bust in the first half this year.

"There are many ways a bank can make it look as though it's lending to SMEs to meet targets, like lending to multiple smaller subsidiaries with a big parent company, or lending to the supplier of a material to a big company," said a senior banker.

Indeed, official data shows new bank loans have surged.

Total new loans in the first eight months jumped nearly 19 percent from a year earlier to 11.76 trillion yuan, the latest central bank data showed. That is well on track to set a new full-year record, eclipsing last year's 13.53 trillion yuan.

But the increased lending barely compensates for shrinking "shadow" loans, one of the major targets of regulators as they seek to curb systemic financial risks.

Off-balance sheet loans used to be a major source of funding for small firms traditionally shunned by the big state banks.

Annual growth in outstanding total social financing (TSF), a broad measure of credit which includes off-balance sheet forms of financing, slowed to 10.1 percent in August, a record low.

"We have indeed issued much more loans now (to small companies), but in reality, the majority of them still cannot meet our requirements," said the AgBank official.

The weakening in domestic demand and increasingly uncertain export outlook have also dented corporate appetite for funds.

## Election candidates will have to submit tax certificates

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The NBR with the support of city corporations will carry out a survey in households, especially in Dhaka, to identify potential taxpayers.

He also directed taxmen to take steps to double the number of TINs from present 32 lakh in the next one year. "And the number of return submission has to double."

Some 18 lakh taxpayers submitted income tax returns in fiscal 2017-18.

At present, Bangladesh's tax-GDP ratio is about 10 percent.

"We have a target of increasing the ratio to 15 percent by 2021," he said, while calling upon taxpayers to pay tax.

Stern actions would be taken for misconduct or irregularities by taxmen.

"Taxmen should encourage people in tax payment in a friendly manner. They should be assured that they would not face any trouble in future," Bhuiyan added.

DSCC Mayor Sayeed Khokon said there should be transparency in the use of taxpayers' money.

"Then people will feel inspired to pay tax," he said.

Khokon, citing the 7 percent growth of economy, said tax is necessary for ensuring balanced distribution of wealth.

A large section of people will be deprived if fruits of economic growth are concentrated to a small number of people.

"Society cannot function properly if there is instability and discrimination."

Khokon, citing loan scams in banks and wilful defaulters, said there is no meaning to feeding scammers with taxpayers' money.

Marginal taxpayers want to pay tax, said Zia Uddin Mahmood, member of NBR's tax administration and human resources management.

But there is a tendency among large taxpayers to evade tax, he said.

Among others, NBR Member Tax Survey and Inspection Mohammad Golam Nobi and Commissioner of Central Tax Survey Zone Md Asaduzzaman spoke.

## Uber proposals value company at \$120b in a possible IPO

REUTERS

Uber Technologies Inc could be valued at \$120 billion when it finally goes public next year according to recent proposals made by U.S. banks, the Wall Street Journal reported on Tuesday, citing people familiar with the matter.

The ride hailing company's most recent valuation was pegged at \$76 billion, following a \$500 million investment from Toyota Motor Corp in August.

Reuters reported in late September that Goldman Sachs and Morgan Stanley were in pole position to secure top roles in Uber IPO.

Goldman Sachs and Morgan Stanley last month delivered the valuation proposals to Uber, the WSJ report here said.

## Submarine Cable Company records lowest profit

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Currently, BSCCL is meeting the need of 525 Gbps bandwidth of the country's total demand of 800 Gbps. It supplies 275 Gbps from the first cable and 250 Gbps from the second one, said officials.

The second cable has a capacity of 1,500 Gbps bandwidth.

"It will take a few years to reap the potential return from the second cable."

The BSCCL was separated from Bangladesh Telecommunication Company Ltd in 2008 and was listed with the Dhaka Stock Exchange in 2012.

The government owns 73.84 percent stake in the company, institutional investors 11.26 percent, foreign investors 0.73 percent and general public 14.17 percent.

BSCCL's earnings per share declined 77.20 percent year-on-year to Tk 0.44 during the fiscal year.

Each BSCCL share closed yesterday at Tk 80.10, the same as the previous day.

## Berger to splash out Tk 250cr on new plant

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Berger is the leading paint maker in Bangladesh. It has two production units in Dhaka and Chittagong each and has 11 home décor outlets in the country.

It employs 1,000 people and has a countrywide distribution network of more than 3,000 dealers.

Regarding the investment, Paban Chowdhury, executive chairman of the Beza, said multinational companies are feeling confident to invest in Bangladesh.

Foreign investors have realised that Bangladesh is a suitable destination for investment, he said.

## Kar Bahadur title may go

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"So, we will not issue the tax ID cards in the upcoming fair. Rather, we are considering issuing something like smart card by adding some benefits to it."

An inter-ministerial meeting is likely to take place in this regard, said the official.

However, individual taxpayers will be provided services and assistances to complete tax-related formalities in the fair. In Dhaka, the annual event will take place at the Officers' Club Dhaka.

"In the upcoming event, we expect the tax returns to double this year than the previous year," he said.

Some 3 lakh returns were submitted in the fair last year, according to the NBR.

## US industrial output rises, but momentum slowing

REUTERS, Washington

US industrial production increased for a fourth straight month in September, boosted by gains in manufacturing and mining output, but momentum slowed sharply in the third quarter.

The Federal Reserve said on Tuesday industrial production rose 0.3 percent last month after an unadjusted 0.4 percent increase in August. Industrial output grew at a 3.3 percent annualized rate in the third quarter after accelerating at a 5.3 percent pace in the second quarter.

The Fed said industrial output in September had been held down "slightly" by Hurricane Florence, which drenched South and North Carolina in mid-September. The US central bank estimated the impact of the storm on industrial production as "less than 0.1 percentage point."

Manufacturing output increased 0.2 percent in September, the smallest gain in four months, after rising 0.3 percent in August. A 1.7 percent increase in motor vehicle production helped to lift manufacturing output last month. Motor vehicle



Engines are being built for jetliners at a new, highly automated General Electric factory in Indiana, US.

production surged 4.3 percent in August.

There were also strong increases in the production of primary metals, machinery and wood products.

US financial markets were little moved by the data.

Manufacturing, which accounts for about 12 percent of the economy, is being supported by a strong

domestic economy. Momentum is, however, slowing against the backdrop of a strong dollar and cooling global growth, which is restraining exports.

There are so far few signs that the Trump administration's "America First" policies, which have left the United States embroiled in a bitter trade war with China, are disrupting

factory production.

But manufacturers are increasingly complaining that the tit-for-tat trade tariffs between Washington and Beijing are disrupting supply chains, which could hurt future production.

The sector is also facing a shortage of skilled workers, especially truck drivers, which is causing delivery delays and also contributing to the supply chain bottlenecks.

Manufacturing output increased at a 2.8 percent rate in the third quarter after growing at a 2.3 percent pace in the April-June period. Mining production increased 0.5 percent in September, adding to the 0.4 percent rise in August. Oil and gas well drilling, however, fell for a third straight month in September.

Mining output grew at an 11.4 percent rate in the third quarter after notching a 16.5 percent pace in the second quarter. The sector has rebounded about 24 percent from its trough in 2016.

Utilities output was unchanged in September after surging 1.1 percent in the prior month. A surge in natural gas output was offset by a decline in the production of electricity.



Salahuddin Alamgir, managing director of Excel Telecom, a national distributor of Samsung mobile in Bangladesh, and Seungwon Youn, managing director of Samsung Electronics Bangladesh, pose with distributors of Excel Telecom at its "National Partner's Meet - 2018" at Army Golf Club in Dhaka on Sunday.

## Garment makers mull tie-up with Sri Lankan firms

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"It can happen in international business. It is one kind of sub-contracting business but it will be done in between two states." Mainly the small and medium garment factories that are not so much compliant and failing to make good profit would be interested in the business model.

"This is the automobile industry's model."

For instance, some parts of the automobile are made in China and some in Malaysia or in some other countries. But after the finished goods are assembled, they have one company's brand.

"By doing so, both Bangladeshi and Sri Lankan business men will divide the profit. We need not be worried about losing buyers," he said.

Currently, Sri Lankan's market share in global apparel trade is 1.2 percent and Bangladesh's stake is 6.5 percent.

Sri Lanka exports nearly \$5 billion worth of garment items in a year while Bangladesh's export last year hit \$30.61 billion.