

China's industrial profits growth slows as orders wane

REUTERS, Beijing

Profit growth at China's industrial firms slowed for the fifth consecutive month in September as sales of raw materials and manufactured goods further ebbed, pointing to cooling domestic demand in the world's second-biggest economy.

The slowdown was in line with data last week that showed September's factory output grew at the weakest pace since February 2016.

Slowing corporate profits will put pressure on jobs, ultimately tapping the brakes on household consumption and hurting China's overall growth.

Industrial profits rose 4.1 percent in September from a year earlier to 545.5 billion yuan (\$78.57 billion), the National Statistics Bureau (NBS) said on Saturday. That was less than half of the pace in August, and the slowest since March.

Earnings in September were mainly pressured by a greater slowdown in production and sales, declining price growth, as well as a high

statistical base a year earlier, He Ping of the statistics bureau said in a statement accompanying the data.

An escalating trade war with the United States has also added to the pressure on overall output, and threatens to chill business investments and earnings growth in the months ahead.

Data last week showed the Chinese economy in the third quarter grew at the weakest pace since the global financial crisis as manufacturing output slowed.

The manufacturing sector has also been squeezed by a reduction in sources of credit amid Beijing's multi-year crackdown on corporate debt and risky lending practices.

While authorities are taking steps to ease pressure on firms with liquidity issues, many companies still face difficulty in obtaining funding. Interest rates on loans have also risen due to the reduced supply of credit.

A cooling property market - an engine of economic growth - has also sapped demand for construction-

related goods and services, curbing industrial profits.

Softer infrastructure investment despite Beijing approving more projects in the second half this year has also added pressure on the bottom-lines of industrial firms.

In the first nine months of the year, industrial profits increased 14.7 percent, driven by earnings of companies producing steel, building materials, oil and petrochemicals.

But the growth slowed from the 16.2 percent pace seen in January-August. Earlier this month, Jiangsu Shagang Co Ltd, the listed arm of China's biggest privately owned steel mill Shagang Group, reported a 91.5 percent increase in net profit for the third quarter.

The average profit margin for steel remains very high, according to analyst at Argonaut Securities in Hong Kong.

Industrial firms' liabilities rose 6.1 percent from a year earlier by the end of September to 63.1 trillion yuan, compared with an increase of 6.6 percent by end-August.

Chemlube wins best distributor award from Bharat Petroleum

STAR BUSINESS DESK

Bangladeshi company Chemlube Ltd has recently been awarded for its extraordinary performance as a distributor of Mak Lubricants, a product of India's Bharat Petroleum Corporation.

Ishtiaque Abedin, managing director of Chemlube, received the award from V Anand, executive director of Bharat Petroleum, at the annual sales and marketing conference of Mak Lubricants held at Goa in India.

Sabrina Abedin, director of Chemlube, and Moksedur Rahman, general manager, were also present, the company said in a statement yesterday.

Ishtiaque Abedin founded Chemlube in 2004 and went on to distributing Mak Lubricants in Bangladesh in 2008. Hasanul A Hasan, chairman of the company, leads the company that has its head office in Dhaka's Uttara.



Mohd Jashim Uddin, deputy managing director of the Meghna Group of Industries, and Taif Bin Yousuf, an executive director, pose with a Primaduta Award 2018 presented by the Indonesian government at the 33rd Trade Expo Indonesia in Jakarta on October 24. The group bagged the award in "Prospective Market" category for importing Indonesian products.



Ruhul Amin Molla, CEO of Orion Footwear, opens a renovated outlet at Jamuna Future Park in the capital recently. Customers will get 12 percent discount there till October 31.

Offer more funds to plug infrastructure gaps

FROM PAGE B1

Nishant Kumar, executive director (Asia), GuarantCo. Singapore office, suggested mobilising funds from the non-banking sector like life insurance companies and overseas financial institutions to meet the needs for infrastructure development.

There is a lack of knowledge on financing options available overseas for infrastructure projects amongst the Bangladeshis, he said, while calling for a vibrant bond market too.

The banking system is not interested in providing support to the infrastructure sector because of the long-term nature of the projects, said Syed Mahbubur Rahman, managing director and chief executive officer of Dhaka Bank.

Like Kumar, he too suggested collecting funds from the non-banking system and by issuing bonds in the market.

"The government should provide sovereign guarantee to attract foreign investors

to the infrastructure sector," Rahman added. M Fouzul Kabir Khan, former secretary of the power division, alleged the development projects being undertaken by the government have turned into a channel to provide political financing to party activists.

Selim Raihan, professor of economics department of the University of Dhaka, emphasised on quality spending in the infrastructure sector. He also called for raising the infrastructure spending to 5 percent of GDP from existing 3 percent.

Manmohan Parkash, country director of the Asian Development Bank, pledged support to Bangladesh for infrastructure projects. He also suggested mobilising funds from other sectors.

Hitoshi Hirata, chief representative of the Japan International Cooperation Agency's Bangladesh Office, also assured Dhaka of increased support for the infrastructure sector.

Precision instrument maker Horiba enters Bangladesh

STAR BUSINESS DESK

Horiba, a Japanese manufacturer of precision instruments for measurement and analysis, yesterday announced launching business in Bangladesh.

"Horiba now ventures into Bangladesh markets with offerings in automotive test systems, medical equipments, process and environment equipments, scientific instruments and semiconductor," said a statement from Horiba India Private Ltd.

"We have a strong distributor network in Bangladesh and a good team to cater to Bangladesh business," it added.

Stocks sink to 22-month low

FROM PAGE B1

Besides, the ICB will invest Tk 1,500 crore after getting funds from selling a bond worth Tk 2,000 crore. The process to issue the bond is underway, he said.

Stock brokers will also plough back the Tk 947 crore they got from selling their stakes in the DSE to the Chinese consortium, he added.

Turnover, another important indicator of the market, declined 12.56 percent to Tk 371.71 crore yesterday.

Khulna Power was the top traded stock with its transaction of 19.25 lakh shares worth Tk 24.26 crore, followed by Monno Ceramics, Shahjalal Islami Bank, BBS Cables and Active Fine.

Mozaffar Hossain Spinning Mills was the day's best performer with its 15.04 percent gain, while Indo-Bangla Pharmaceuticals was the biggest loser, shedding 11.81 percent.

Losers outnumbered gainers by 247 to 64, while 28 securities remained unchanged.

Chittagong Stock Exchange also witnessed a big fall: its key index plunged 128.82 points to end the day at 9,714.28 points.

The port city bourse traded 66.95 lakh shares and mutual fund units worth Tk 14.85 crore.

\$300m WB loans to boost cash transfer for poor

FROM PAGE B1

"An efficient, automated and transparent social protection service delivery system is critical to building resilience and creating opportunities for the poorest," said Qimiao Fan, World Bank's country director for Bangladesh, Bhutan and Nepal.

The agreement was signed at the Economic Relations Division (ERD) in the capital by Fan and Mahmuda Begum, additional secretary of the ERD.

"The World Bank is helping the government build common digital platforms to better administer safety net programmes. This will help reduce administrative costs and errors by identifying the most vulnerable people with greater accuracy and transferring cash in a timely manner."

In fiscal year 2018, Bangladesh spent about \$5.8 billion on social protection or about 2 percent of its gross domestic product and improving the efficiency of these programmes will help Bangladesh use public resources more effectively, according to the statement.

The DSS has already started digitising beneficiary records of its cash transfer programmes, and the project will help further strengthen case management and payment processes.

To accurately identify recipients of cash transfers, the project will integrate DSS's management information system with the National Household Database of the Bangladesh Bureau of Statistics.

For more secure and accessible payments to beneficiaries, the system will be linked to the finance division's centralised payment platform, and use a network of banking agents, among others.

The credit is provided by the International Development Association, the World Bank's concessional lending arm, which provides grants or zero-interest loans.

The credit has a 38-year term, including a six-year grace period and a service charge of 0.75 percent.

Raise investment-GDP ratio to improve economic status

FROM PAGE B1

The economy has been stable and resilient in the wake of global geopolitical incidents and economic crisis, Anwar said.

Unfortunately, the story of Bangladesh's economic success is not very much known in the outside world, he said, adding that Bangladesh has the ability to grow faster with larger investment and quick execution of economic strategies.

Achieving the status of an advanced economy by 2041 is possible but Bangladesh's GDP size will have to be \$1.7 trillion and per capita income should be over \$12,000.

To achieve the target on time, the country will need an investment of \$320 billion to develop infrastructures, the banker said.

Anwar said loans are available and the country's GDP versus debt is only 15 percent. Provident and gratuity funds can be used to attract investment, he said.

Bangladesh also needs a massive investment in power, energy, technology-enabled services,

healthcare, telecoms, transportation, logistics, pharmaceuticals, manufacturing and light engineering sectors, he said.

"Bangladesh can gain competi-

tive advantage by developing human resources."

The country needs 9 percent GDP growth per year and \$16,000 in per capita income to become an advanced economy by 2041, said Prof Shamsul Alam, a member of the General Economics Division of the Planning Commission.

Bangladesh needs to spend \$8 billion for infrastructure development in a year, but it can spend only \$2.5 billion now, said Alam, adding that foreign direct investment is required for infrastructure development.

Economic governance is needed and the country needs to sign free trade agreements and improve regional cooperation, he said.

Alam said project costs climb by 2 percent to 2.5 percent from the original costs because of non-execution of infrastructure projects on time.

Currently, 269 Japanese companies have operations in Bangladesh, mainly in the form of buying house and garment factories, said Taiki Koga, representative of the Japan External Trade Organisation in Dhaka.

He said many Japanese are working in the construction of new airport in Bangladesh and the Matarbari power plant. The Japanese government has provided

\$6 billion to the country to implement a number of projects.

The number of Japanese people working in different projects in Bangladesh fell sharply after the death of some Japanese businessmen and officials in the Holey Artisan attack in Dhaka in 2016.

Koga said Japanese people have started working in Bangladesh in full swing now.

The government should improve the quality of service at Hazrat Shahjalal International Airport and ease visa system for foreigners to allow more people to travel to Bangladesh, said Syed Nasim Manzur, managing director of Apex Footwear Ltd.

He called for stop harassing foreign investors when they seek arrival visas after reaching Bangladeshi airports as such attitude portrays a bad image of the country.

Currently 20 local pharmaceutical companies invest \$700 million a year in the sector in Bangladesh, said Abdul Mukhtar, chairman and managing director of Incepta Pharmaceuticals.

"The companies will be able to invest \$10 billion in the next 10 years to grab more international markets."

In Bangladesh, private and public universities are producing ade-

quate numbers of skilled workforce to run the pharmaceuticals sector, he said, adding that the country is now more advanced in biological medicines compared to many other countries.

Of the total exports from Bangladesh, more than 90 percent are merchandises whereas the percentage in other least developed countries are 15 to 20 percent, said Masrur Reaz, senior economist at the International Finance Corporation.

So, Bangladesh has the potential to grow more in the export market worldwide, he said.

He recommended for a massive investment in infrastructure development for sustaining the economic growth.

No neighbouring country should be allowed to use the Chittagong port, Mahbubur Rahman, president of International Chamber of Commerce Bangladesh, said while moderating the discussion.

He said the capacity of the premier port of the country should be doubled. An expressway is needed between Dhaka and Chittagong as the four lanes can hardly carry the load now. Vehicular movement on the roads should be more scientific, he said.

Jute can foster green growth: analysts

FROM PAGE B1

"It supports green economy," said the economist.

Rahman, also a former adviser to the last caretaker government, said jute pulp and pulp factories were rapidly scalable. He said products that were rapidly scalable have significant backward and forward linkages.

The production of jute pulp is potentially a low threshold technology that can enable setting up of small factories in rural areas, he said, adding that stakeholders, including jute traders, large farmers and local entrepreneurs, would respond if appropriate policies were framed.

Jute pulp is also an environmentally sound product, he added.

The views come at a time when jute production is rising. Exports are also growing, with raw jute and jute

yarn constituting 79 percent of the total exports value of \$1 billion fetched by the sector in the fiscal year of 2017-18.

However, non-traditional items account for only 9 percent of the total export earnings.

Rahman said the focus has to be on items that were rapidly scalable while have multiple backward and forward linkages.

"This is where the strategic nature of jute pulp comes into play. Jute has a massive domestic market. If we need another war against polythene, jute paper bag can be the one," he said.

However, he said, the new potential of jute appears to remain hostage to legacy burden, namely the unsustainable fiscal burden of loss-making public sector jute mills.

"Why should we be funneling money into the loss-making public

mills? This has to be addressed," said Rahman, suggesting policy dialogues between the finance and jute ministries to tap the potential of jute and the issue of fiscal burden for loss-making public mills.

He recommended framing a jute paper law in line with the mandatory jute packaging law and devising a policy package.

Showing a biodegradable "Sonali" polybag made of jute polymer, Mubarak Ahmad Khan, scientific adviser of Bangladesh Jute Mills Corporation, said it was now being produced under a pre-pilot scheme at a state mill.

The government has taken an initiative to commercialise the bag, he said.

Shaila Khan, assistant country director and adviser of Business Development and Partnerships of the United Nations Development

Programme, Bangladesh, said adequate investment had not been made to realise the potential of jute.

"We need to champion our own products," said Khan, adding that jute had the potential from the perspective of attaining Sustainable Development Goal-12.

"Jute can ensure green growth," she said.

Paul Bundick, chief of party, Agricultural Value Chains Project, USAID, suggested changing the business model of the mills. The mills can buy the whole crop and use the sticks to make activated charcoal, he said.

Nihad Kabir, president of the Metropolitan Chamber of Commerce and Industry, chaired the event while Rina Parveen, additional secretary to the textiles and jute ministry, also spoke.