BANK ASIA

Rumee A Hossain, chairman of the executive committee of Bank Asia, and Md Arfan Ali, president and managing director of the bank, attend the opening of the 49th foundation training course for its management trainees at the Bank Asia Institute for Training & Development in Dhaka yesterday. KS Nazmul Hasan, head of people management division; Md Azharul Islam, head of training; Krishna Saha, head of the bank's Lalmatia branch (current charge), and Sujit Kumer Sen, assistant vice president of the training institute, were also present.

Volkswagen, Ford set alliance centred on vans, pickups

REUTERS, *Detroit*

Volkswagen AG and Ford Motor Co said on Tuesday they will join forces on commercial vans and pickups and also that they were exploring shared development of electric and self-driving technology, actions meant to save the automakers billions of dollars.

Ford and VW announced their partnership against the backdrop of the Detroit auto show. The partnership, which starts with sales of vans and medium-sized pickups in 2022, will not involve a merger or equity stakes, the companies said.

The expanding alliance, which will be governed by a joint committee that includes the CEOs of both companies, highlights the growing pressure on global automakers to manage the costs of developing electric and self-driving vehicles, as well as technology to meet tougher emissions standards for millions of internal combustion vehicles they will sell in coming years.

"The actions we take tied to our alliance agreements may influence a number of our business plans for key regions, and we look forward to begin sharing a number of those details with you starting in the next several weeks," Ford CEO Jim Hackett said in an email to employees.

Ford will engineer and build medium-sized pickups for both companies, Volkswagen said. Ford will also engineer and build larger commercial vans for European customers, while Volkswagen will develop and build a city van.

The companies estimate the commercial van and pickup cooperation will yield improved annual pretax operating results starting in 2023.

Ford and VW have signed a memorandum of understanding to jointly develop electric and self-driving vehicles, VW Chief Executive Officer Herbert Diess said in a copy of a speech provided to Reuters.

Europe's biggest automaker and the No. 2 US automaker have been exploring closer cooperation as trade frictions force carmakers to rethink where they build vehicles for Europe, the United States and China. Slowdowns in the world's largest auto markets - China and the United States - have ratcheted up the pressure to cut costs.

The tie-up with Volkswagen is a big bet for Ford's Hackett since he took over in May 2017 from the ousted Mark Fields with the mandate to speed up decision-making and cut costs. Some analysts and investors have been frustrated by Ford's laggard stock price and a perceived lack of details from Hackett about the Dearborn, Michigan-based automaker's $11 billion restructuring.

Last week, Ford said it would cut thousands of jobs, discontinue building money-losing vehicles and look at closing plants as part of a turnaround effort for its unprofitable European business.

On Monday, Volkswagen said it would invest $800 million to build an electric vehicle plant in Chattanooga, Tennessee, prompting US President Donald Trump to congratulate the city and state in a post on Twitter the following day.

But the White House has been pushing to end subsidies on electric vehicles that would help the plant and the alliance.

China signals more stimulus as economic slowdown deepens

REUTERS, *Beijing*

China on Tuesday signaled more stimulus measures in the near term as a tariff war with the United States took a heavy toll on its trade sector and raised the risk of a sharper economic slowdown.

The world's second-largest economy will aim to achieve "a good start" in the first quarter, the National Development and Reform Commission (NDRC) said in a statement, indicating the government is ready to counter rising pressure. Central bank and finance ministry officials gave similar assurances.

Surprising contractions in China's December trade and factory activity have stirred speculation over whether Beijing needs to switch to more forceful stimulus measures, though most analysts believe the government is wary of steps that could heighten debt risks and weaken the yuan.

Data on Tuesday showed credit growth remains stubbornly weak, with several key gauges hovering around record lows despite months of policy easing.

"Further economic stimulus measures will be needed. The authorities seem to be taking their time to deliver this, perhaps chastened by the overkill of their stimulus in the financial crisis," ING economists said in a note to client.

"The eventual package may be very substantial."

Some analysts believe China could deliver 2 trillion yuan ($296.21 billion) worth of cuts in taxes and fees, and allow local governments to issue another 2 trillion yuan in special bonds largely used to fund key projects.

REUTERS/FILE

Shipping containers are seen at a port in Shanghai.

Most, however, expect the fresh stimulus will take months to start feeding through the world's second-largest economy, with a turnaround not expected till spring or summer.

China's growth slowed in 2018 as a years-long campaign to reduce a mountain of debt and crackdown on riskier lending practices pushed up borrowing costs, dampening investment and hurting domestic demand.

As the trade war with the United States escalated last year and hit exports, global financial markets went into a tailspin on worries about a sharper China slowdown, though many analysts believe an economic hard landing is unlikely.

Premier Li Keqiang said China achieved its key 2018 economic targets, which were "hard-won", and seeks a strong start in the first quarter to help meet this year's goals, according to state television on Monday.

Sources told Reuters last week that Beijing was planning to lower its growth target to 6-6.5 percent this year after an expected 6.6 percent in 2018, the slowest pace in 28 years.

The proposed target, to be unveiled at the annual parliamentary session in March, was endorsed by top leaders at the annual closed-door Central Economic Work Conference in mid-December, the sources told Reuters.

Annual growth of about 6.2 percent is needed this year and in 2020 to meet the ruling Communist Party's longstanding goal of doubling gross domestic product and incomes in the decade to 2020, and to turn China into a "modestly prosperous" nation.

China has lowered the level of reserves that commercial banks need to set aside for the fifth time in a year to spur lending, particularly to small and medium-sized firms. Beijing has also cut taxes and fees, and stepped up infrastructure investment to shore up the economy.

This year, China will step up fiscal expenditure and implement larger tax and fee cuts. The cuts will focus on reducing burdens for small firms and manufacturers, the finance ministry said in a statement on Tuesday.

But government efforts to channel more funds to the struggling private sector are facing big hurdles: banks are wary of more bad debts amid the long regulatory crackdown; and, many business are in no mood to make new investments in the face of faltering sales.

MCCI

Newly elected office bearers of the Metropolitan Chamber of Commerce and Industry, Dhaka headed by its president Nihad Kabir call on Commerce Minister Tipu Munshi at his office in Dhaka yesterday.

UJALA PAINTS

Nazrul Islam, chairman of Ujala Paints, opens a new production plant at Hemayetpur in Savar recently. Md Hamidul Islam, managing director, was present.

Saudi minister 'very optimistic' about oil market

AFP, *Abu Dhabi*

Saudi Energy Minister Khalid al-Falih said on Tuesday he was "very optimistic" about the outlook for the oil market after producers cut output to support flagging prices.

Members of the Opec cartel and allies including Russia decided last month to reduce output by 1.2 million barrels per day (bpd) after prices fell by more than 40 percent in just a few weeks in late 2018.

The price of benchmark Brent crude, which briefly dipped below $50 a barrel in November, rebounded partially to above $60 a barrel following the production cuts which took effect on January 1.

The market has remained volatile with prices fluctuating sharply even after Opec kingpin Saudi Arabia announced last week it will gradually cut output by 800,000 bpd in January and a further 100,000 bpd next month.

"I am confident that the impact of the decision we took to cut output by 1.2 million bpd ... will be very strong," Falih told reporters on the sidelines of the Abu Dhabi Sustainability Week conference.

"But there is always a lagtime between the (decision to) cut production and the impact reaching the market," he said. Falih said he is confident that "within the next few weeks" the market conditions will return to normal and confidence will be restored.

FSIBL

Syed Waseque Md Ali, managing director of First Security Islami Bank Ltd, opens an agent banking outlet at Bamonkhali Bazar of Kalaroa upazila in Satkhira yesterday.

Germany avoids recession despite 2018 growth slowdown

AFP, *Frankfurt*

Official data suggested Tuesday that Germany avoided a recession at the end of 2018 but confirmed a sharp slowdown in growth last year as Europe's largest economy cooled off from boom times.

Economic growth sank to 1.5 percent in 2018 from 2.2 percent in the previous two years, federal statistics authority Destatis said.

In absolute terms, Germany's 2018 GDP was around 3.4 trillion euros ($3.9 trillion) or 40,900 euros per person, the statisticians found.

While there had been a "dip" in the third quarter, when output shrank by 0.2 percent, "there were signs of a slight rebound at the end of the year," Destatis expert Albert Braakmann told reporters in Berlin.

Dodging two consecutive quarters of shrinkage -- the official definition of a recession -- means "it currently looks as if the German economy could get away with one black eye," ING Diba bank economist Carsten Brzeski commented.

But "what matters most is the fact that the slowdown of the German economy in the summer has been lasting longer than anticipated and seems to be more than only a temporary blip," he added.

Many observers and the German government pointed to one-off factors to explain the 2018 setback.

Carmakers were confronted with a production bottleneck as they scrambled to adapt to new EU emissions tests, which massively slowed sales from September.

Meanwhile a long drought brought low water levels in the Rhine that hampered shipments of chemicals and raw materials. But Europe's powerhouse also faces longer-term hurdles to growth.

Uncertainty about Brexit threatens trade with one of Germany's biggest partner countries, while US President Donald Trump's trade showdowns with Brussels and Beijing have weighed on Berlin's massive exports.

For now, observers can take comfort from strong domestic fundamentals, notably historic low unemployment making for high consumer spending.

"There are still plenty of reasons to remain optimistic," economist Brzeski said.

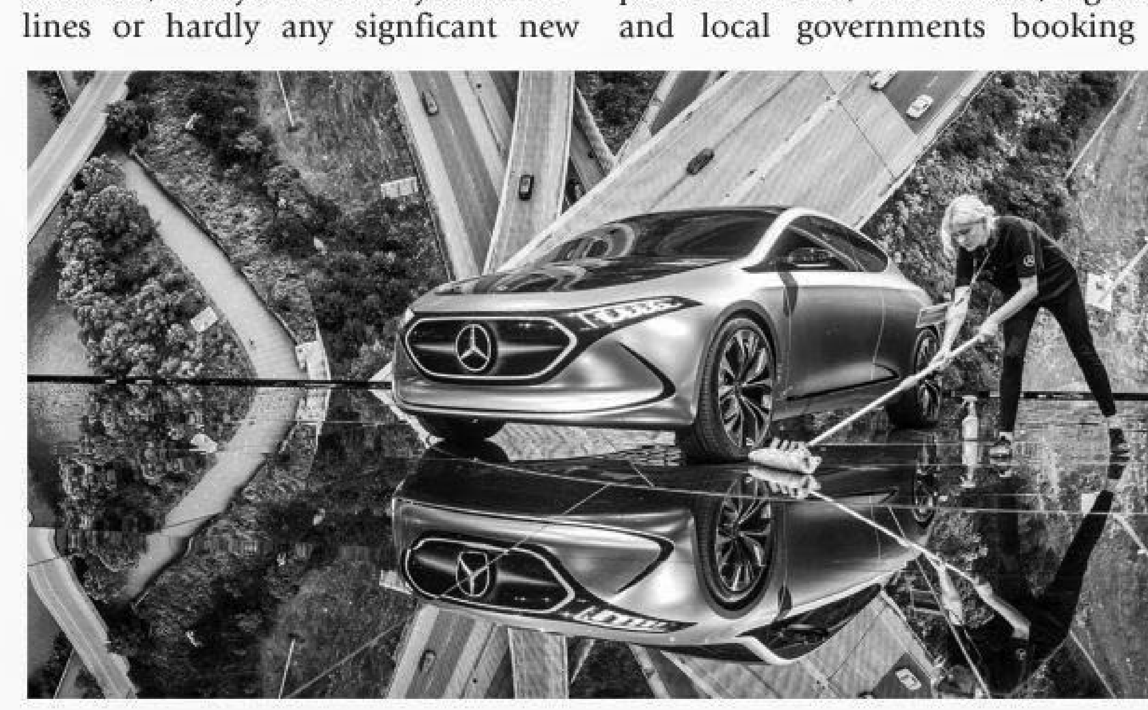
But he pointed to "the lack of investment in digital and traditional infrastructure, delays of railways and airlines or hardly any signficant new structural reforms in the last ten years" as factors that could hobble Germany in the future.

That increases the pressure on politicians to find ways of cushioning the country against economic slowdown and boosting growth. While talking up the German economy's strength, Economy Minister Peter Altmaier acknowledged in a recent interview with the Handelsblatt financial daily that the government could do more to give businesses "a tailwind" at a time of sluggish global expansion.

"It makes sense right now to set incentives for growth," said Altmaier, a member of Chancellor Angela Merkel's centre-right CDU, including through "tax relief for companies".

Such demands put him on a collision course with Finance Minister Olaf Scholz of the centre-left Social Democrats, who has said he sees no need for corporate tax cuts and recently warned that "the fat years are over" when it comes to Germany's run of tax revenues overshooting expectations.

That was not yet visible in 2018's public accounts, with federal, regional and local governments booking a combined record surplus of 59.2 billion euros according to Destatis -- the fifth surplus in a row.



AFP

Carmakers have suffered bottlenecks as they struggle to make cleaner vehicles.

Helped by low unemployment, growing wages and the European Central Bank's ultra-low interest rates, income for the state coffers outpaced spending by 1.7 percent of GDP.

Germany, which also boasts a massive trade surplus with the rest of the world, frequently faces calls from abroad to spend more of the proceeds of its wealth to encourage consumption at home -- which would indirectly benefit its trading partners by boosting demand for their goods.