

India's central bank cuts key rate

PALLAB BHATTACHARYA, New Delhi

In a surprise move, the Reserve Bank of India yesterday cut the benchmark interest rate by 25 basis points to 6.25 percent on expectation of inflation staying within its target range.

The move is expected to boost a slowing economy by lowering the cost of borrowing from banks by individuals and the corporate sector.

The central bank also changed its monetary policy stance to "neutral" from the earlier "calibrated tightening", signalling further softening on its approach towards interest rates.

The benchmark interest rate is the key interest rate at which the RBI lends short-term funds to commercial banks.

In the first policy review under new RBI Governor Shaktikanta Das, the six-member Monetary Policy Committee (MPC) voted 4-2 in favour of the rate cut, while the decision to change policy stance was unanimous.

The RBI cut its estimates on headline inflation for the next year and expects the number to come at 2.8 percent in the March quarter and 3.2-3.4 percent in the first half of the next fiscal year, which begins on April 1.

India's headline inflation is projected to

remain soft in the near term, reflecting the current low level of inflation and the benign food inflation outlook, the MPC said.

"We need to be watchful of vegetable prices, oil prices, trade tensions, health and education inflation, financial market volatility and monsoon outcomes."

The rate cut is in consonance with achieving the medium term objective of maintaining inflation at 4 percent level while supporting growth, the MPC said.

The RBI projected India's economy to grow at 7.4 percent in the next fiscal year, up from 7.2 percent estimated by the Central Statistics Office for the current fiscal year.

The gross domestic product growth is likely to be influenced by growth in bank credit and overall financial flows to commercial sectors, though slowing global demand could play a dampener, said an RBI document released after the three-day meeting of the MPC.

It further said that in spite of soft crude oil prices and the lagged impact of the recent depreciation of the Indian rupee on net exports, slowing global demand could pose headwinds.

"In particular, trade tensions and associated uncertainties appear to be moderating global growth," it said.

Shaktikanta Das said the risks are evenly balanced for growth.

German industrial output falls

REUTERS, Berlin

German industrial output unexpectedly fell in December for the fourth consecutive month, data showed on Thursday, sending another signal that growth in Europe's biggest economy is weakest.

Data from the Federal Statistics Office showed industrial output was down by 0.4 percent, confounding a Reuters forecast for an increase of 0.7 percent.

Analysts said the fall makes it more likely that the economy contracted in the fourth quarter, which would translate into a recession after growth domestic product fell in the third quarter.

The December fall was led by the construction sector, where activity shrank by more than 4 percent, which could not be offset by a small rise in manufacturing output, a breakdown of the data showed.



GREEN DELTA INSURANCE

Syed Moinuddin Ahmed, managing director of GD Assist, a subsidiary of Green Delta Insurance Company, and Mohammad Faisal Zaman, senior vice president for marketing and business development at Square Hospitals, attend a deal signing ceremony in Dhaka on Tuesday. GD Assist's employees, clients, policyholders and "health@connect" cardholders will get privileged services at the hospital.

Volvo Cars feels margin pressure from US-China tariff war

REUTERS, Stockholm

Chinese-owned Volvo Cars reported a fall in 2018 profit margins as a prolonged trade war between Washington and Beijing pushed up costs and resulted in pricing pressure in its main market China.

The Swedish carmaker, owned by China's Geely, will increase volumes and cut operational costs to try to offset the impact on margins that is expected to persist this year, CEO Hakan Samuelsson told Reuters.

"We have a very, very strong product offering and a modest market share outside Sweden, so we are expecting and planning for further growth," Samuelsson said.

"I would say we enter now into a phase where we have to focus more on the cost side as well - not with any special packages, but with normal work to improve our cost consciousness and cost control."

In 2018, the Chinese premium car sales segment held up better than the broader market which contracted amid fallout from the trade war. Carmakers including Tesla cut prices in response, denting earnings.

Under Geely's aegis, Volvo has steadily



REUTERS/FILE

Volvo Cars US production plant is pictured in South Carolina, US.

pushed into premium cars where it competes against Daimler's Mercedes-Benz and BMW, helping it hit its fifth straight year of record sales in 2018.

The company's 2018 operating profit increased by 0.9 percent to 14.2 billion Swedish crowns (\$1.5 billion), but its margin fell to 5.6 percent from a year ago 6.7 percent, it said on Thursday.

Germany's Daimler this week reported rising costs and falling sales for

Mercedes-Benz in the fourth quarter.

The trade war caused Volvo to postpone plans for a listing last year and generated additional costs to retool its factories to limit the tariff impact.

Samuelsson said if the United States followed through on its threat to slap tariffs on European cars, that would result in a "very severe" impact for Volvo and the broader European auto industry that would be difficult to offset.



Directors of Bangladesh Development Bank Kazi Tariqul Islam, Md Abu Hanif Khan, Salma Nasreen and Managing Director Manjur Ahmed attend the bank's Annual Business Conference-2019 at its auditorium in Dhaka yesterday.

Realtors target middle-income group

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The apartments showcased range from 1,450sqft to 1,540sqft. Each apartment is priced at Tk 6,000 per square feet in Mohammadpur area, while the price for a commercial property in Gulshan will be Tk 28,000 per square feet, he said.

Anyone can buy the apartments in monthly instalments: the buyers have to pay 30 percent of the apartment's price as down payment and take home loan for the rest 70 percent.

However, it will be tough for a lower middle-income individual to purchase an apartment on instalment as the minimum monthly instalment will be Tk 40,000 for a 1,400-sqft apartment, he said.

"Apartments have become costlier due to a hike in the prices of construction materials such as rod, cement and brick."

Sottorit Kumar Roy, senior executive of Runner Properties Ltd, said they are offering apartments at Tk 8,000 to Tk 8,500 per square feet located at different areas of the city. "The higher middle class and upper class are our main target group."

A 1,300-1,500 square feet apartment of Runner Properties equipped with three bed rooms, a dining room and living space with three bathrooms will cost around Tk 75 lakh, he said. "Customers nowadays want quality property and timely delivery."

Atiqullah Bhuiyan Maruf, a businessman, came to the fair to buy a flat at Tk 60-70 lakh. "But I failed to find a suitable one," he said.

Most of the people like to purchase flats in Mirpur, Shyamoli, Mohammadpur and Ziggatola areas, as prices are comparatively lower, said Kawsar Hossain Sumon, senior assistant manager at Navana Real Estate Ltd.

People come to visit the fair as they get all kinds of information in a single platform, said Mohammad Ashraful Alam, manager for sales at Rupayan Housing Estate Ltd.

Normally the customers do not purchase apartment without seeing it in person, he said. "My company constructs luxury apartment for the upper class only. Businessmen and senior government officials are our major customers."

At the fair, Rawdatul Jannat, a private graveyard, is offering 3.5 feet by 7 feet grave at Tk 3.5 lakh. It has a graveyard in Purbachal area capable of accommodating 80,000 graves.

Govt vows to address private sector's woes

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To help the government fulfil its revenue target, a business-friendly environment must be ensured. Mohiuddin went on to call for lowering of the interest rate without further ado. Otherwise, the investment momentum will come off.

"The minister has informed that the multiple rate of VAT would be established. But he has not given any indication when the rate will be effective," he added.

Bangladesh Bank Governor Fazle Kabir, Finance Secretary Abdur Rouf Talukder and NBR Chairman Mosharrif Hossain Bhuiyan were present at the meeting.

Leaders of the FBCCI, the Dhaka Chamber of Commerce and Industry, the Metropolitan Chamber of Commerce and Industry, Dhaka Stock Exchange, leather and footwear manufacturers, agricultural businesses, real estate sectors and government stakeholders attended the meeting.

Amazon changes business structures in India to bring big seller back

REUTERS, New Delhi

One of the biggest sellers on Amazon.com Inc's India website has returned after the online retail giant changed its business structures to comply with new federal e-commerce curbs that took effect last week, two sources told Reuters.

India's modified foreign direct investment rules that kicked in on Feb. 1, prevent companies such as Amazon from selling products from vendors where they, or their group companies, have equity holdings.

Amazon was forced to remove hundreds of thousands of items sold by top vendors Cloudtail and Appario as it indirectly held 49 percent equity stakes in both firms.

But on Thursday Cloudtail had returned with more than 300,000 products listed on Amazon, after the US e-commerce firm cut its indirect holding to 24 percent, one of the sources with knowledge of the matter told Reuters. The stake was bought by the majority holders,

Catamaran Ventures, the source said.

"We have no equity participation in any seller company on our marketplace," Amazon said in a statement, without sharing details of the changes in its indirect holding of Cloudtail.

Catamaran, an investment firm launched by Infosys founder N.R. Narayana Murthy, said it had made "required changes" to comply with the rules, but did not elaborate.

Amazon is working on a similar restructuring for the other big seller, Appario, a second source said.

The sources declined to be named as they were not authorized to discuss the same with media.

The new rules were introduced after complaints from small Indian traders who said Amazon and Walmart-owned online retailer Flipkart used their control over inventory from affiliated vendors to unfairly offer discounts.

The Confederation of All India Traders (CAIT), which has pushed for tougher scrutiny of e-commerce

players, on Thursday alleged Amazon's latest move was a circumvention of the new rules.

The group would ask India's industries department to clarify that online retailers should not hold direct or indirect stakes in their vendors, CAIT Secretary General Praveen Khandelwal told Reuters.

The industries department did not immediately respond to a request for comment.

Amazon and Walmart Inc had unsuccessfully lobbied against the latest rules and pushed for a delay in their implementation.

While product listings on Amazon have been disrupted, Flipkart has been less impacted as it had no equity holdings in its vendors.

Flipkart's sellers were exhausting inventory from before the rules kicked in, and the company was working with its partners to ensure they complied with new norms when they sold new inventory on the platform, a person with direct knowledge of the matter said.



Afruza Bari, managing director of Ananda Group, hands over the papers of MV Anshu—an oceangoing vessel made by the group's Ananda Shipyard and Slipways Ltd.—to Piotr Buzhanushky, captain of the vessel, at a programme at Meghnaghat in Narayanganj yesterday. German company HS Schiffahrts GmbH & Co KG bought the 5,500 deadweight tonnage ship and renamed it as Alexander. Abdullahe Bari, chairman of Ananda Group, was present.

11 firms to make VAT software

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"We will not take measures against the businesses for not automating their systems because of the delay. But we will take measures if they don't use the prescribed software from now onwards," he added.

UY Systems, Ennova Technologies, Dhrupadi Techno Consortium, Symphony Softtech, UniSoft Systems, Mediasoft Data Systems, Best Business Bond, CSL Software Resources, Allied Information Technology, Jubosoft Information Systems and Divine IT are the eligible VAT software-makers.

A five-member panel headed by the commissioner of the Large Taxpayers' Unit of VAT gave approval to the firms.

"We have sent letters to the firms after selecting them," said Showqu Ali Saadi, a member of the committee, and first secretary for VAT Implementation and IT of the NBR.

The panel had received 27 applications. Of them, 17 were short-listed. Later, 11 were finalised after their presentations.

"We have proposed to the NBR to keep the door open so that the firms that couldn't get listed this time can enlist themselves after improving their capacity. We don't want anyone to create a monopoly. We want a competitive environment."

Festivals boost online sales in February

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Daaraz is offering 20 percent additional cashback for payments made through bKash, 14 percent on transaction through LankaBangla Visa credit card, up to 10 percent discount for credit cards of City Bank and Southeast Bank, the e-commerce firm said.

It will organise a raffle draw and offer candle light dinner at the Westin Dhaka hotel and give out various gifts.

According to SSL, there are now about 29,000 Facebook pages in Bangladesh that market products online.

Of them, 1,500 are actively participating in commercial activities. There are 2,500 more dedicated web portals, 400 to 500 of which are active.

The research firm is expecting the online market size to be about Tk 1,700 crore in 2019 from about Tk 1,000 crore last year. Various festivals will play a bigger role to expand the market size, according to SSL.

BB eases loan write-off policy

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Banks will have to keep 100 percent provisioning in cash to write-off the bad debts, said Syed Mahbubur Rahman, chairman of ABB.

"So, it is not so easy for lenders to write-off their default loans."

But the policy will help banks to write-off the small loans, which will help in bringing down the overall default loans, said Rahman, also the managing director of Dhaka Bank.

Banks with solid financial health and strong net profit stand to benefit from the revised policy, said Faruq Mainuddin, managing director of Trust Bank.

"It is because they have enough provisioning capacity."