BEF

Committee members of Bangladesh Employers' Federation headed by its president, Kamran T Rahman, greet Imran Ahmed, new state minister for expatriates' welfare and overseas employment, at the latter's office in Dhaka on Monday.

Standard Chartered's 2018 profits rise despite setting aside fine cash

AFP, *Hong Kong*

Standard Chartered's pre-tax profit surged to $3.9 billion in 2018, the bank said Tuesday, after previously warning it had set aside nearly $1 billion for regulatory fines in the US and Britain.

The UK-based bank has been stalked for years by probes on both sides of the Atlantic including over alleged violations of United States sanctions against Iran, investigations related to foreign exchange trading and financial crime control breaches.

Last week the bank said it had put aside $900 million to deal with those probes, the first time it had put a figure on the penalties and an attempt to draw a line under the issue ahead of its earnings report.

In a Tuesday filing with the Hong Kong stock exchange, the emerging markets lender said its pre-tax profit was up 28 percent at $3.9 billion.

But that figure dropped to $2.5 billion "after provision for regulatory matters and restructuring and other items" were taken out, a rise of 5.5 percent on 2017's results.

The headline profit was some $120 million lower than a consensus forecast compiled by the bank, Bloomberg News reported. But analyst Dickie Wong of Kingston Securities said the earnings were "in line with expectations".

Standard Chartered has been bracing for a possible US fine related to past dealings with Iran dating back as far as the late 2000s.

Last month it settled a currency trading investigation and said it had received notice from British regulators that it faced a $133 million fine over historical financial crime controls -- although it is still weighing its options over that penalty.

Wong told AFP the fines were "definitely not something good but won't affect its overall business or dividend policy". Chief Executive Officer Bill Winters took over in 2015 and set about cleaning up a balance sheet saddled by bad loans. The Asia, Middle East and Africa focused bank has since returned three successive years of profit growth.

But Winters is under pressure to convince investors he can continue to cut costs while reviving longer-term earnings growth and profitability.

On Tuesday the bank announced a three-year plan that would aim for some $700 million in savings as well as restructure operations in "low returning markets" including India, South Korea and Indonesia.

The filing did not say whether those savings would be made through a headcount reduction.

"Over the last three years we have fundamentally overhauled the bank," Winters said in a statement attached to the filing.

Hard Brexit could wipe at least 0.5pc off German GDP

REUTERS, *Berlin*

If Britain quits the European Union without a deal, that could shave at least 0.5 percent off Germany's gross domestic product (GDP), the head of Germany's BDI industry association said on Tuesday.

BDI Managing Director Joachim Lang said that would equate to around 17 billion euros ($19.30 billion or £14.7 billion) being slashed off GDP this year alone. He said Britain would probably fall into recession if there were a hard Brexit.

"Contingency measures taken by companies and politicians could water down the worst effects but we would still really feel the impact of a hard Brexit," Lang said, according to the text of a speech he was giving in Berlin.

Samsung's smart watch faces breached its trademark: Swatch

REUTERS, *Zurich*

Swatch Group has filed a complaint against Samsung Electronics Co and Samsung Electronics America Inc, saying the two companies infringed upon its trademark on designs for downloadable smart watch faces.

The Swiss watchmaker said the South Korean companies' watch faces "bear identical or virtually identical marks" to the trademarks it owns and uses on its brands which include Longines, Omega, Swatch, and Tissot.

"This unabashed copying of the Trademarks can have only one purpose – to trade off the fame, reputation, and goodwill of the Swatch Group Companies' products and marks built painstakingly over decades," Swatch Group said in a filing to the US District Court for the Southern District of New York.

Swatch has demanded a trial in the complaint which also alleges unfair competition and unfair business practices, and is seeking more than $100 million in damages.

Most firms favour tariffs while China trade talks underway

US business lobby says

REUTERS, *Beijing*

A top US business lobby in China said on Tuesday that a majority of its member companies favored the United States retaining tariffs on Chinese goods while Washington and Beijing try to hammer out a deal to end a months-long trade war.

The American Chamber of Commerce in China also said over the past year substantially more of its members are wanting the US government to push Beijing harder to create a level playing field for US business.

US President Donald Trump said on Monday that he may soon sign an agreement with Chinese President Xi Jinping to end the trade dispute if their countries can bridge remaining differences, saying negotiators were "very, very close" to a deal.

That followed Trump's announcement a day earlier that he would delay a tariff hike on $200 billion of Chinese goods and extend his March 1 deadline for a deal. Washington is demanding an end to the theft of trade secrets and practices that coerce US companies to turn over technology to Chinese firms.

About 10 percent of the chamber's members favored raising tariffs rates on those $200 billion of Chinese goods from 10 percent to 25 percent after the original March 1 deadline agreed to by Trump and Xi in December.

Another 43 percent advocated maintaining tariffs at 10 percent and delaying the increase for 60 days while negotiations continued, the chamber said at a briefing on its annual China business climate survey.

"There are mixed feelings about the tariffs, but a majority are in support of the tariffs continuing at the present time," chamber chairman Tim Stratford said at the briefing.

"People don't like tariffs, and that's truly understandable. But they also think that maybe the tariffs have done some good in provoking very serious negotiations between the two sides," Stratford told Reuters earlier.

Chamber president Alan Beebe said 47 percent of members wanted the US government to "advocate more strongly" for a level playing field for US business in the world's second largest economy.

"That figure is almost twice of what it was a year ago," Beebe said.

The chamber said 19 percent of its companies were adjusting supply chains or seeking to source components and assembly outside of China as a result of tariffs. Twenty-eight percent were delaying or cancelling investment decisions in China.

Trump's decision to delay the tariff increase has been greeted with a mixture of relief and dread among US industry groups and lawmakers, many of which are increasingly fed up with what they say is China's failure to live up to its World Trade Organization commitments.

REUTERS

President of the American Chamber of Commerce in China Alan Beebe speaks at a news conference on China business climate survey report in Beijing yesterday.

Some have expressed concerns that after nearly eight months of tit-for-tat tariffs roiling global financial markets, disrupting manufacturing supply chains, and shrinking US farm exports, Trump could end up settling for a deal that increases commodity sales to Beijing while doing little to change China's underlying trade practices and industrial policies.

In his Feb. 5 State of the Union address, Trump said a China trade deal "must include real, structural change to end unfair trade practices, reduce our chronic trade deficit, and protect American jobs."

But as the March 1 deadline drew closer, Trump has appeared increasingly eager to make a deal, causing concerns among trade watchers that he was eroding US Trade Representative Robert Lighthizer's leverage in the talks.

AFTAB AUTOMOBILES

Reaz Ahmed, operative director of Aftab Automobiles (motorcycle unit), a concern of Navana Group, and Abu Hanif, head of sales, attend the launch of nine models of Italian Benelli and Hungarian Keeway motorcycles at Hotel Royal Tulip Sea Pearl Beach Resort in Cox's Bazar on Sunday.

Telecoms industry sees need to tighten network security, regardless of Huawei

REUTERS, *Barcelona*

The telecoms industry is acutely aware of the need to ensure that ever-more complex mobile networks are safe, the head of its main lobby group told Reuters, as debate swirls over whether to bar some equipment vendors on national security grounds.

The GSMA, which groups 300 operators worldwide, has pushed back against US calls on its European allies to bar Huawei Technologies over concerns the firm is too close to the Chinese state and its equipment may be open to cyber spies.

It has instead proposed a stronger Europe-wide testing regime to ensure that, as operators build next-generation 5G networks, smartphones and the billions of connected devices that will be hooked up to the 'Internet of Things' are protected from hackers.

"We are now moving into intelligent connectivity, which means that more stuff will be connected," said Mats Granryd, director general of the GSMA that is hosting the Mobile World Congress, a major annual industry gathering in Barcelona.

"If we have doubts today, the risk is that those doubts would be magnified going forward."

The GSMA finds itself caught up in a broader political struggle as trade tensions between the United States and China buffet the telecoms industry.

US officials have lobbied their European allies to ban Huawei, the global networks market leader. That is opposed by operators, with some saying the rollout of 5G services could be delayed by years if they have to rip out and replace Chinese kit in their networks.

Huawei denies that it has ever spied for Beijing, and says no credible evidence has ever been presented that its gear allows illicit access to the country's intelligences services.

Tax cuts should boost Indian real estate demand, but many issues linger

REUTERS, *Mumbai*

A tax cut by India to help the country's troubled housing sector should boost home sales, but by itself will not be enough to put cash-short developers on more solid ground, say industry executives.

On Sunday, a government body said the sales-tax on under-construction residential houses in April will drop to 5 percent from 12 percent, while that on lower-priced projects classified as "affordable housing" will be cut to 1 percent from 8 percent.

The measure is one of a series by Prime Minister Narendra Modi's government to try to stimulate consumption as he and his Bharatiya Janata Party face nationwide elections by May.

Finance Minister Arun Jaitley said the real-estate tax change "will give a boost to housing for all".

But industry executives are sceptical their positions - and those of many would-be buyers - will improve much, especially if there's no easing of a funding crunch.

"The GST rate cut will provide respite to the overall real estate market, however, this will be a momentary infusion of notional positive sentiment," said Om Ahuja, chief operating officer for residential business at developer K. Raheja Corp.

Rising bad debts and real estate project failures have made banks cautious on lending to developers, leading to a slump in a property market that relies heavily on borrowing for both home-building and buying.

Two of Modi's main economic reforms - demonetization and the roll-out of the nationwide GST - have stung the real estate sector, a major contributor to economic growth and a large employer.

Ahuja does expect sales of lower-cost units to rise after the tax changes.

"A lot of fencesitters will jump in and take the benefit and the affordable housing inventory would likely fly off the shelf over the next 12 months," he added.

REUTERS/FILE

Labourers work at the construction site of residential buildings on the outskirts of Kolkata.

But there is currently an average of roughly two years' worth of unsold inventory in India, of which affordable housing accounts for about 50-60 percent, he said. Anuj Puri, chairman of Anarock Property Consultants, also underlines the size of sector issues.

"A massive number of under-construction housing projects are heavily delayed or chronically stuck and the basic cost of homes is still far too high for the largest segment of the population," he said.

And while the coming sales tax cut should be a boon, it may be undercut by a government decision to end input tax credits (ITCs), which hits developers. Such credits allowed them to reduce their tax burdens at the time of sale by claiming benefits on taxes paid for purchasing construction materials.

"Though sales may see a marginal uptick, with overall transaction values dipping, developer margins are unlikely to see any improvement as construction costs would rise because of the withdrawal of ITCs," analytics firm CRISIL said in a note on Monday.

Some developers might look to pass losses from the elimination of ITCs onto buyers by increasing the agreement value proportionately, said industry insiders, negating some of the sales-tax savings. Also keeping up costs is how GST on cement remains 28 percent.

For sales to sustainably pick up, the government needs to improve the supply and the cost of liquidity for housing finance companies that many need to borrow from, said Manish Jaiswal, CEO of Magma Housing Finance.

"The fuller benefit of GST tax cuts will accrue on the ground only when an interested home buyer has decent low cost financing optionsx from HFCs," Jaiswal added.