

Before India votes, RBI cuts rates by 25 basis points to spur growth

REUTERS, Mumbai

The Reserve Bank of India (RBI) cut its policy interest rate by 25 basis points on Thursday, in a widely expected move to boost the economy just a week before voting begins in an election that will decide whether Prime Minister Narendra Modi gets a second term.

Though inflation remains subdued, falling farm incomes and record high unemployment are seen hampering Modi's prospects going into the polls after economic growth slid to 6.6 percent in December - its slowest in five quarters.

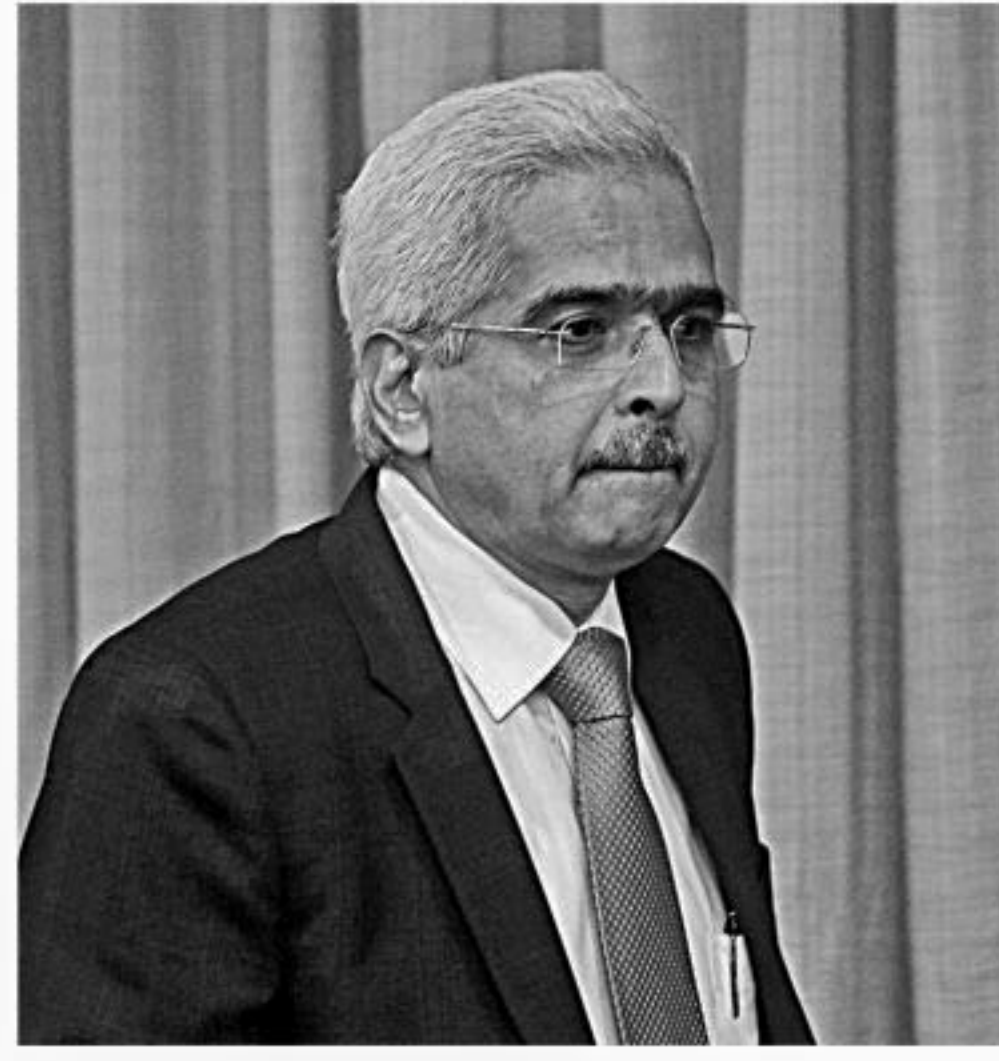
Following a meeting of its monetary policy committee (MPC), the RBI highlighted the need to boost domestic growth due to global headwinds.

"The need is to strengthen domestic growth impulses by spurring private investment which has remained sluggish," the RBI wrote in the policy statement.

The six-member MPC cut the repo rate to 6.00 percent as predicted by 57 of 67 analysts polled by Reuters last week. The reverse repo rate was reduced to 5.75 percent.

Four out of six MPC members voted for a 25 basis points cut, while two called for the rates to remain unchanged. Five of them called for the policy stance to remain "neutral," while one MPC member voted for it to be changed to "accommodative".

While the central bank projected retail inflation at 3.8 percent by January-March



RBI Governor Shaktikanta Das

2020 - within its target of 4 percent - it also warned of the upside risks to price pressures if food and fuel prices rose abruptly, or if fiscal deficits overshoot targets. Ahead of elections, the major parties have made promises for heavy spending in order to woo voters, leaving the central bank unsure about how fiscal plans will pan out.

"Should there be a fiscal slippage...this could crowd out private investment, impact potential output, and result in higher inflation," the RBI said in a separate monetary policy report.

Speaking at an industry event, Finance Minister Arun Jaitley said that the government would continue with fiscal consolidation and pursue policies to enable further reduction in interest rates if it was re-elected.

Meanwhile, weather forecasters have warned that this year's monsoon season could suffer the El Nino effect, which could reduce rainfall and lead to a spike in food prices.

"While RBI has highlighted the upside risks to inflation, on account of El Nino, food prices and the fiscal situation, I think the tone is largely dovish," said Sujan Hajra, chief economist at Anand Rathi Securities in Mumbai.

"If inflation continues to undershoot the 4 percent level, a rate cut of 25 to 50 basis points cannot be ruled out in the next 12 months."

Annual consumer inflation was just 2.57 percent in February following five months of deflation in food prices, and the RBI said it could be forced to revise down its inflation projection if the current economic slowdown became more pronounced.

The RBI lowered its economic growth forecast to 7.2 percent for the 2019/20 April-March fiscal year, from the February view of 7.4 percent.

With inflation so low, some analysts had hoped the RBI would cut interest rates more aggressively to boost economic growth.

The MPC's reluctance could be partly explained, however, by commercial banks only reducing their lending rates by a token 5-10 basis points after the RBI's last 25 bps cut in February.

Pakistanis feel crunch of rising prices

REUTERS, Islamabad/Karachi

Pakistan's surging petrol prices have more than halved the income of taxi driver Yasir Sultan, just one of many consumers whose faith in a government elected last year on a pledge to help the poor has been shattered.

Inflation at its highest in more than five years has shocked many Pakistanis who voted for Prime Minister Imran Khan and his promise to eradicate poverty, create jobs and build an Islamic welfare state.

"Imran Khan has said big things about getting rid of poverty, but he isn't erasing poverty. He is erasing the poor," Sultan, 30, told Reuters. "Sometimes I think I should set this taxi on fire," he said from behind the wheel of his rundown 1980s-era Suzuki Mehran.

Wrestling with a ballooning current account deficit as it seeks a 13th bailout package from the International Monetary Fund, the government has a hard choice - impose pain now or face a balance of payments crisis that could crash the economy.

Foreign reserves of \$8.5 billion are better than the start of the year, but barely cover two months' worth of imports. "Demand compression is part of stabilization to bring down current account and trade deficits," said Asad Sayeed, an economist at the Collective for Social Science Research.

Inflation was over 9.4 percent in March, its highest since November 2013, with strong increases in food and energy, the two most sensitive items for most consumers.

The central bank forecasts growth at 3.5-4 percent in the 12 months to end June, well off a government target of 6.2 percent. With a large pool of surplus labor keeping wage rises in check, living standards will suffer, Sayeed said.

"I voted for PTI believing in Khan's slogan for the change. Now, I am repenting," said Sara Salman in the bustling eastern city of Lahore, referring to the prime minister's party, Pakistan Tehreek-i-Insaf.

Shippers' Alliance re-appoints vice-chair



Md Rezaul Karim

STAR BUSINESS DESK

Md Rezaul Karim, chairman of the Shippers' Council of Bangladesh, has recently been re-appointed vice chairman of Asian Shippers' Alliance until the alliance's next annual meeting in 2020, according to a statement.

Karim is the proprietor of SN Jute International, a firm pioneering in jute export.

He was chairman of Bangladesh Jute Association and chairman of Private Sector Consultative Board of International Jute Study Group.



Mahtab Uddin Ahmed, CEO of Robi Axiata, and Shameem Ahsan, managing director of eGeneration, the licensing solutions partner of Microsoft Bangladesh, exchange documents of an agreement at the former's head office in Dhaka on Tuesday. The mobile operator will get Microsoft Solutions from eGeneration. Sonia Bashir Kabir, managing director of Microsoft Bangladesh, Nepal, Bhutan and Laos, was present.

US-China talks making progress White House economic adviser says

REUTERS, Washington

Trade talks between the United States and China made "good headway" last week in Beijing and the two sides aim to bridge differences during talks that could extend beyond three days this week, White House economic adviser Larry Kudlow said.

Kudlow, speaking to reporters on Wednesday at an event organized by the Christian Science Monitor, said China had recognized problems for the first time during the talks that the United States has raised for years.

Negotiations continued in Washington on Wednesday after meetings last week in Beijing, spearheaded by US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin.

President Donald Trump will meet Vice Premier Liu He, who is leading the Chinese side in the talks, in the Oval Office at 4:30 p.m. (2030 GMT) on Thursday, the White House said.

A date for a meeting between Trump and Chinese President Xi Jinping could be announced as early as Thursday, Bloomberg and the Wall Street Journal reported, citing unidentified sources, which would signal that a deal could be close. But the WSJ, citing an administration official, said discussions remained fluid and those plans could change.

Asked about the potential for a meeting between the presidents, China's Foreign Ministry told a news briefing on Thursday that it had noted that Trump had repeatedly expressed his hope to meet with Xi.

"President Xi also looks forward to maintaining communication with President Trump in all kinds of ways," ministry spokesman Geng Shuang said without elaborating.

The United States and China have levied tariffs on hundreds of billions of dollars' worth of two-way trade since July 2018. Trump has said he wants a "great deal" with China and has hinted that tariffs could remain in place for some time.

Chinese commitments to increase purchases of American agricultural, energy and manufactured products are expected to be part of a final deal, and a person familiar with the talks said China would get about six years to meet those commitments, or until 2025.

The deadline was reported earlier by Bloomberg, but Trump administration officials previously said that a six-year



Larry Kudlow

timeline for purchases exceeding \$1 trillion had been under discussion.

A final number for the amount of purchases has not been settled, the person said. Kudlow said Liu and his team would remain in Washington for three days and possibly longer.

"We're covering issues that have never really been covered before, including enforcement," Kudlow said, listing US accusations that Beijing engages in intellectual property theft, forced transfer of technology from US companies doing business in China, cyber hacking, tariffs and non-tariff barriers for commodity trading.

Fix regulatory uncertainty to boost investment

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"It is often the most serious source of unpredictability," it said, adding that the space for discretionary behaviour is often created by weaknesses in the rule book.

The roots of weak regulatory design lie in poor rule-making processes. This includes inadequate use of evidence when making rules, such as lack of consultation with stakeholders and little use of impact assessment.

Investors are also concerned about poor access to information about rules and regulations, adverse and often sudden changes in laws and regulations, and lack of effective grievance mechanisms.

One out of two businesses in Bangladesh feel that finding information on existing rules and regulations is a major obstacle to doing business, according to the report.

There are also concerns about the credibility of available information, with almost two-thirds complaining that it is not updated regularly and is often incomplete.

"A manifestation of this problem is the absence of a government website providing the VAT, customs and income tax laws/ordinances in one place, including all amendments."

And the widespread and increasing practice of issuing rules and regulations through Statutory Regulatory Orders further accentuates the problem, the report said.

Subsequently, the WB called for a multi-pronged approach to address regulatory uncertainty including high-level actions on systemic reforms accompanied by additional, more specific reforms.

"This means going beyond streamlining individual rules and regulatory processes to make the regulatory framework in Bangladesh suitable for a fast-changing world and encourage innovation and risk-taking."

Bangladesh's regulatory system needs the establishment of a technical regulatory oversight body at the centre of the government to oversee, lead and report on regulatory reforms, Husain said.

Specific actions include introducing regulatory impact assessments, holding structured and inclusive consultations on draft laws and regulations and reviewing existing laws and regulations to identify gaps, inconsistencies and redundancies.

Immediately publishing all SROs through widely accessible means and introduction of business-to-government feedback loops on regulatory service quality are the other suggestions.

Fighting graft boosts tax revenues: IMF

AFP, Washington

Reducing corruption allows governments to collect more in taxes, according to a study published Thursday by the International Monetary Fund.

The global crisis lender estimates that, among advanced economies, those that best combat graft collect on average 4.5 percent more in tax revenue as a share of GDP than those most beset by corruption.

"The annual cost of bribery alone is over \$1.5 trillion, roughly two percent of global GDP," IMF Managing Director Christine Lagarde said Tuesday in remarks previewing next week's spring meetings with the World Bank. "Money laundering and the financing of terrorism are other serious dimensions of the problem, where the IMF has been working with over 100 countries."

Turkish company acquires 57pc of Singer Bangladesh

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According to Ebiçioğlu, Arçelik will combine its global expertise, scale and knowledge with the strong market position of Singer Bangladesh equipped with its strong brand image, for further product developments to grasp the local market needs.

"Our mid-term target is to become the market leader in the major product groups."

He says Arçelik has intensively grown in the Asia-Pacific in the last decade with investments in China, Thailand, Pakistan, and India in a bid to establish a trade corridor along the historic Silk Road.

Singer Bangladesh's remaining 43 percent shares are traded at the Dhaka Stock Exchange and its stocks rose 1.80 percent to Tk 186.50 yesterday from the previous day.

Poor network quality shrinks 4G usage

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At the event, Huawei will present its latest innovations, which they have already demonstrated in the Mobile World Congress in February.

Even three years ago, the average mobile data usage in a month in India was 1GB. Today, it is 10GB, Wang said. "Bangladesh can also reach that goal within the shortest possible time if some issues are fixed," he added.

In Sri Lanka, the mobile operators have complete control of the infrastructure, said Nazmul Hasan, director for marketing at Huawei Technologies (Bangladesh).

But in Bangladesh, a mobile operator needs to take fibre network from one company and tower service from another.

Scarcity of fibre optic network is the major reason for the poor 4G quality and it will be even more acute for 5G, Hasan said.

Bangladesh is planning for rollout 5G service by the end of 2021. It tested 5G in July last year, becoming the sixth country in the world to do so. Huawei started its carrier business in Bangladesh in 2006 and is now supplying equipment to all the telecom service providers.

Economy strong despite Fed's destructive actions: Trump

REUTERS, Washington

President Donald Trump on Thursday said the US economy was very strong despite what he said were "unnecessary and destructive actions" taken by the U.S. Federal Reserve, his latest attack on the nation's independent central bank.

"Despite the unnecessary and destructive actions taken by the Fed, the Economy is looking very strong, the China and USMCA deals are moving along nicely, there is little or no inflation, and USA optimism is very high!" Trump said on Twitter.

Germany's Siegwark to open ink blending centre

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According to Pradhan, Siegwark's sales grew more than 20 percent year-on-year in Bangladesh in the last five years, leading the company to decide on setting up the blending centre in the country.

The company is setting up the factory mainly to serve the customers fast as it takes nearly five weeks to bring products from Delhi to the customers in Bangladesh, he said.

Pradhan, also the chief executive officer

of Siegwark India, says the company has established a very good customer base with sustainable growth in Bangladesh and now wants to get closer to the customers supporting them more effectively with individually formulated ink solutions which match their local printing requirements.

Globally, Siegwark's sales were worth €1.06 billion last year, with Asian countries accounting for 21 percent of the revenue. It employs over 5,000 people in more than 30 countries.

Bring more good firms to stocks to entice investors

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The government is not going to make it mandatory for stock investors to keep tax identification numbers, he said. "If the government wanted to form such rule, it would have discussed it with us."

Hossain expressed his hope that the reforms recently brought in by the stock market regulator would help the market gain momentum in the next three years.

"The Small Capital Board will increase the potential for our small and medium companies as well as tech companies. For instance, Facebook and Google have become giant companies now from such small companies," he added. Shameem Ahsan, president of the Venture Capital and Private Equity Association of Bangladesh; Mohammed Nasir Uddin Chowdhury, president of Bangladesh Merchant Bankers Association, and Ziaur Rahman, editor of the news site, also spoke at the meeting.



Selim RF Hussain, managing director and CEO of Brac Bank, hands over a commemorative crest to Azeza Aziz Khan, a director of Summit Group, at the bank's head office in Dhaka last week marking the bank signing an interest rate swap deal with Ace Alliance Power, which is jointly owned by Summit Corporation and Summit Power.