

RBI to remain watchful on growth, financial stability: governor

REUTERS, Mumbai

The Reserve Bank of India (RBI) will remain vigilant and strive to revive growth in Asia's third-largest economy, as well as pushing to maintain macroeconomic, financial and price stability, its governor said in a speech on Friday.

India lost momentum in the final quarter of 2018, reducing its annual rate of economic growth to 6.6 percent, the slowest pace in five quarters and much less than expected.

But RBI Governor Shaktikanta Das said the country's real gross domestic product (GDP) growth was expected to reach 7.2 percent in the fiscal year to March 2020, which he described as the strongest among the world's large economies.

India's annual retail inflation rate rose in March to 2.86 percent, from 2.57 percent in the previous month, but remained below the central bank's target for an eighth straight month, increasing the chances for a key interest rate cut in June.

"Inflation has remained below target, averaging 3.6 per cent for the period under the inflation targeting framework so far," Das said in the speech, uploaded on the RBI website early on Saturday. He said he was referring to the period from

October 2016 to February 2019.

The RBI has lowered its retail inflation forecast to 3.8 percent by January-March 2020, but warned it could be higher if food and fuel prices climb abruptly, or if fiscal deficits overshoot targets.

India's current account deficit is expected to be around 2.5 percent of GDP in 2018-19 and the gross fiscal deficit has kept to budgetary targets, he added.

Das underscored the risks facing emerging market economies such as India as global growth and trade weaken.

"There is considerable uncertainty as to whether this weakness is temporary or the beginning of a recession in advanced economies," Das said, adding that central banks around the world were not tightening monetary policy, with some even promoting easier lending conditions.

The RBI cut its policy interest rate by 25 basis points earlier this month, in a widely expected move to boost the economy at a time Prime Minister Narendra Modi is seeking a second term in a national election.

Emerging market economies also remain exposed to financial market volatility, Das said, and financial conditions could heighten existing stress on the balance sheets of lending institutions in some countries.

Tesla to stop selling \$35,000 Model 3 online

AFP, New York

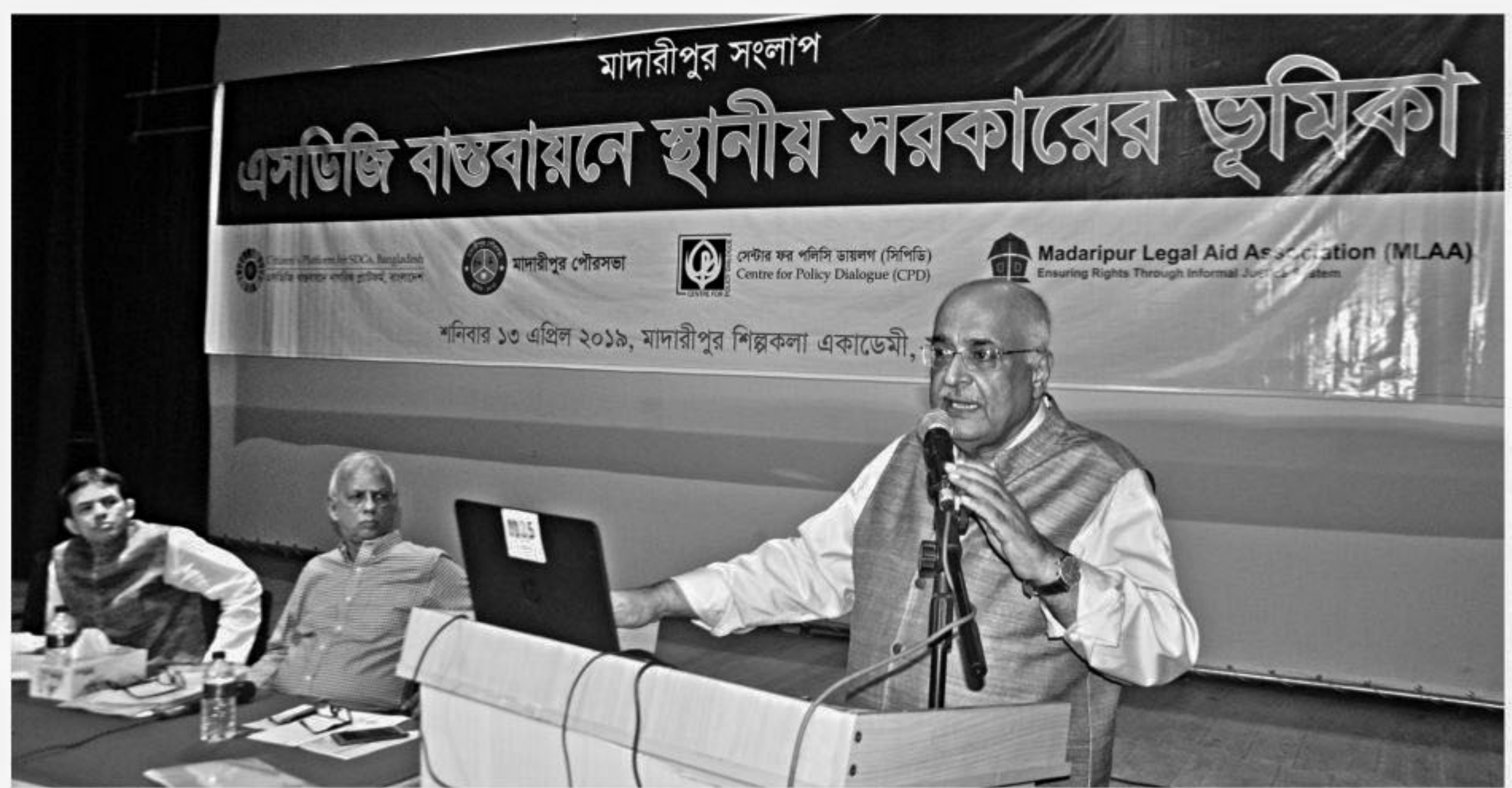
Tesla has pulled the plug on Internet sales of its cheapest Model 3 sedan in the latest shift to the company's retail strategy.

The electric car maker plans to keep taking online orders for the Standard Plus Model 3, which starts at \$39,500 and is now the lowest-price option available to digital consumers, along with higher-end models.

But online customers will no longer be able to order the Model 3 Standard for \$35,000, a long-promised price for a vehicle that has been seen as essential to Tesla Chief Executive Elon Musk's ambition to disrupt the auto industry.

"Model 3 Standard will now be a software-limited version of the Standard Plus, and we are taking it off the online ordering menu, which just means that to get it, customers will need to call us or visit any one of the several hundred Tesla stores," Tesla said in a blog post on Thursday night.

The shift was needed to "simplify our production operations to better optimize cost, minimize complexity and streamline operations," the company added.



Debapriya Bhattacharya, convener of the Citizen's Platform for SDGs, Bangladesh, speaks at a dialogue on the "Role of Local Government in SDG Implementation" at Madaripur Shilpakala Academy yesterday.

BoJ governor ready to expand monetary stimulus

REUTERS, Washington

Bank of Japan Governor Haruhiko Kuroda said on Friday the central bank was ready to expand monetary stimulus if needed, brushing aside the view the BOJ had little ammunition left to fight the next economic downturn.

Kuroda said it was true major central banks may have less room to cut interest rates because they are already very low after years of aggressive monetary easing.

"But that doesn't mean central banks have no ammunition left to ease further in response to financial developments,"

Kuroda told a news conference after the Group of 20 finance leaders' meeting.

"The BOJ also has room to ease monetary policy further if doing so becomes necessary," he said.

The remarks underscore the challenge major central banks face as they struggle to battle growing overseas headwinds to their economies with a dwindling policy tool kit.

The Federal Reserve and the European Central Bank have paused in their efforts to dial back crisis-mode policies. But the BOJ has failed to fire up inflation to its elusive 2 percent target despite years of money printing.

Growing EU policy disputes could undermine common currency: France

AFP, Washington

Widening differences over economic policy among euro area countries are "unsustainable" and could undermine the currency union itself, French Finance Minister Bruno Le Maire said Friday.

"There isn't enough solidarity in the eurozone," Le Maire told reporters on the sidelines of the International Monetary Fund and World Bank Spring meetings.

"Growing economic divisions among member states are unsustainable in the long term and could result in the disappearance of the common currency project."

"Countries with solid budgets must invest more," Le Maire said.

That was the same message pushed by the IMF itself on Friday again urged Germany in particular to boost spending in order to accelerate growth a raise wages, and reduce its budget and trade surpluses.

Le Maire said "Those with the means shouldn't hoard money for years and years, allowing growth to deteriorate."



Md Mofizul Islam, commerce secretary, speaks at a members' conference on "SMPs in Bangladesh: Challenges, Opportunities and Way forward" organised by the Institute of Chartered Accountants of Bangladesh (ICAB) at its auditorium in Dhaka yesterday. AF Nesaruddin, ICAB president, was present.

Growth slows to five-year low

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The expected amount of VAT also did not come from its biggest source: cigarette, they said.

During the July-February period, VAT collection increased 6.29 percent year-on-year to Tk 52,907 crore.

Income or direct tax receipts grew 12.13 percent from a year earlier to Tk 38,924 crore.

And despite higher import growth, collection from customs duty edged up 3.74 percent to Tk 41,629 crore.

"This is alarming. It appears that a section of importers are importing goods through mis-declaration to evade tax," said a tax official requesting anonymity.

He went to place the blame on the lack of monitoring and enforcement at the field

level.

The administrative capacity with regards to enforcing tax collection along with the culture of providing tax breaks on an ad hoc basis and without proper assessment of the impact are hindering revenue mobilisation, Khan said.

"The next budget should come up with a proper estimate of the revenue forgone due to various tax breaks."

Implementation of planned reforms in the area of revenue mobilisation is a critical priority for the upcoming budget, Khan said.

"One may expect a major shortfall in revenue mobilisation target. Formulation of the revised budget should take this into cognisance while setting the revenue targets for next year."

Indian IT giants Infosys, TCS see profits soar

AFP, Mumbai

India's biggest software exporters reported a surge in net profits on Friday thanks to strong revenue growth and a slew of big new deals.

Tata Consultancy Services (TCS), India's largest IT outsourcing firm, said profits for the quarter ending March 2019 rose 17.7 percent from the same period a year ago. The Mumbai-based company notched 81.26 billion rupees (\$1.18 billion) in consolidated net profits for Q4 of financial year 2018-19, up from 69.04 billion rupees on-year.

TCS said its revenues have grown 18.5 percent for the quarter year-on-year.

"This is the strongest revenue growth that we have had in the last fifteen quarters," said CEO Rajesh Gopinathan in a statement. "Our order book is bigger than in the prior three quarters, and the deal pipeline is also robust," he added.

TCS's rival Infosys, India's second-largest IT outsourcing firm, reported a more than ten percent rise in its quarterly profits. The Bangalore-headquartered company said consolidated net profit for the quarter ended March 2019 notched

40.78 billion rupees (\$589.1 million).

That was up from the 36.90 billion rupees recorded in the same period the previous year, a rise of 10.5 percent.

Infosys said revenues soared 19.1 percent to 215.54 billion rupees.

It added that 101 new clients were added during the quarter, bringing their total client count to 1,279.

"We have completed the first year of our transformation journey with strong results on multiple dimensions including revenue growth, performance of our digital portfolio, large deal wins, and client metrics," chief executive Salil Parekh said in a statement.

"This is a reflection of our increased client relevance stemming from our focus on digital, positioning, and longstanding client relationships," he added.

India's \$150 billion IT sector has long been one of the country's flagship industries as companies around the world take advantage of its skilled English-speaking workforce.

Indian IT firms are undergoing a period of change in the face of automation and new technologies but continue to boast healthy balance sheets.

China may raise interest rate of power loans

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The committee decided to seek the prime minister's approval whether Bangladesh will go for the loan at 3 percent interest rate or not, as the increase from 2 percent to 3 percent is a major change, according to the summary of the meeting.

Bangladesh has signed loan agreement for five China-funded projects at 2 percent interest rate, both for grant portion and preferential buyers' credit (PBC) portion.

In August 2017, the Exim Bank of China wrote to the Economic Relations Division (ERD) to send a loan application for the DPDC project, amounting to \$1,402.83 million.

Of the sum, China showed interest to lend \$381.16 million in government concessional term at 2 percent interest rate and the rest \$1,021.77 million at 3 percent interest rate.

Both loans carry a repayment period of 20 years with five years grace period.

The preliminary agreement signed by Bangladesh and China in 2016 does not articulate clearly the loan conditions and only says that the terms would be set on a case-to-case basis. The interest rate both for concessional loans and PBC for the five projects was set at 2 percent.

In 2017, Bangladesh asked for \$5.03 billion from the Exim Bank of China for the Padma Bridge Rail Link project and one project of DPDC and one project for Power Grid Company of Bangladesh (PGCB).

China agreed to lend fund for the Padma Rail Link project at 2 percent, but said the rate would be 4.5 percent for the two projects, since the funds have to be mobilised from the market.

Later, the interest rate for the PBC portion of two projects was set at 3 percent and the ERD agreed to the rate. The power division also applied to the Exim Bank of China for a loan at the same rate.

The loan negotiation committee of the ERD had proposed the Exim Bank to cut the interest rate to 2 percent from the proposed 3 percent during negotiation on the draft loan agreement.

But the bank informed that the rate of the PBC was fixed by the Chinese government and Bangladesh would have to apply anew for its reconsideration.

In that case, China would re-evaluate the project which would take time and may create uncertainty about the fate of the project. So, PBC could be taken at 3 percent interest rate considering the importance of the project, according to the minutes of the March 19 meeting.

The government will have to pay 0.25 percent in commitment fee and 0.25 percent in management fee. The management fee will have to be paid within 30 days of loan effectiveness whether a loan is disbursed or not. ERD officials said this is a normal practice of Chinese loans.

China's imports plummet in March

AFP, Beijing

China's imports plummeted in March while exports rose sharply, official data showed Friday, adding to worries about slowing growth in the world's number two economy amid a US trade war.

Total imports sank 7.6 percent on-year last month while exports rose 14.2 percent, the data from China's customs administration showed, producing a trade surplus of \$32.7 billion.

Economists polled by Bloomberg had expected a slight 0.2 percent rise in imports with exports projected to grow 6.5 percent.

"There are uncertainties coming from the weaker momentum of the global economy and trade growth and the complex global environment," said Li Kuiwen, a customs spokesman.

"Overall China-US economic and trade frictions have had a definite impact on business operations but we believe it's generally controllable," he told reporters.

Beijing has taken measures to jumpstart its cooling economy with

massive tax cuts and fee reductions but the falling imports point to tepid demand at home.

It raises questions about the current strength of domestic demand, especially as rising oil prices should have pushed up imports, said Julian Evans-Pritchard

of Capital Economics in a note.

"While import volumes are likely to remain subdued, they will probably recover somewhat in the near-term as policy stimulus helps to shore up demand," he said.

Last month, officials lowered China's annual growth target to 6.0

to 6.5 percent for the year, down from 6.6 percent last year.

Washington and Beijing have slapped tariffs on more than \$360 billion in two-way goods trade, weighing on the manufacturing sectors in both countries.

China's politically sensitive trade surplus with the US widened to \$20.5 billion last month from \$14.7 billion in February.

Economic relations remain the "ballast" righting China-US relations, Li told reporters.

"This is beyond doubt," he said.

Soybeans imports, traditionally one of the big ticket items shipped from the US and one of the tariff targets, fell by 14.4 percent from last year during the first quarter.

However, analysts caution it is difficult to compare trends in China's data at the start of the year due to the Chinese New Year holiday, which came in early February this year and can affect business activity.

Recent manufacturing data showed export orders shrank for the 10th straight month in March amid slowing global growth.



A worker transfers a roll of sheet aluminium at a factory in China.

Regent cuts fleet size to beat financial woes

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Industry insiders say business operation is not viable for domestic airlines on international route. Still, they run international flights for mysterious reasons and incur losses.

The same has happened to Regent Airways: the airline began its operation in November 2010 on the domestic route. In 2013, it introduced international flights and within three years it fell into loss.

It runs flights on the Dhaka-Chattogram route among the domestic destinations and operates international flights to Bangkok, Doha, Kolkata, Kuala Lumpur, Muscat, and Singapore.

"As per plan, China will be our next international destination. We will also increase the number of flights to India," Choudhury said.

New ride-hailing app promises low fares

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The company will branch out to port city Chattogram and Sylhet by June and Khulna, Rajshahi, Cumilla, Barishal, Rangpur and Cox's Bazar within the next one year under a franchise model.

There are plans to launch the same service in some states of the US and Mexico. At present, about a dozen of operators are operating in different segments in Dhaka, Chattogram and Sylhet.