IMF chief says US-China tensions threat to world economy

AFP, Paris

The head of the International Monetary Fund said Tuesday that fresh trade tensions between the United States and China were the main threat to the world economy.

"Clearly the tensions between the United States and China are the threat for the world economy," Christine Lagarde told journalists at a conference in Paris, adding that recent "rumours and tweets" made an agreement between the countries less likely.

President Donald Trump jolted global markets on Monday by threatening on Twitter that tariffs already imposed on $200 billion in Chinese exports to US would more than double to 25 percent on Friday from their current level of 10 percent.

Christine Lagarde

Also speaking at the Paris Forum event, French Economy Minister Bruno Le Maire warned about the impact of a trade war between the world's two biggest economies.

"We are looking very carefully at the current negotiations between China and the US. We want these negotiations to stick with principles of transparency and multilateralism," he said, speaking in English.

He called on the two sides to "avoid decisions that would threaten and jeopardise world growth in the coming months."

"Raising tariffs is always a deadlock and a negative decision for everybody -- for the US, for China, for the eurozone, for Europe and for growth all over the world," he said.

Le Maire cautioned that during a period of slowdown in world growth there should not be "negative decisions that could accelerate that slowdown."

China said Tuesday its top trade negotiator will visit the United States for talks with his American counterparts this week.

The countries have been locked in talks to resolve tensions that have seen both of them impose tariffs on goods worth $360 billion.

BGMEA

Crisanthe De Silva, Sri Lankan high commissioner to Bangladesh, calls on Rubana Huq, new president of the Bangladesh Garment Manufacturers and Exporters Association, at the latter's office in the capital's Uttara yesterday.

BMW quarterly profit tumbles 78pc

REUTERS, Frankfurt

BMW's first-quarter operating profit fell 78 percent to 589 million euros, despite higher deliveries of luxury vehicles, as the carmaker felt the effects of higher investment spending and a 1.4 billion euro ($1.6 bln) legal provision.

The European Commission last month told German carmakers they face hefty fines for alleged collusion in the area of emissions filtering technology. BMW denies participating in anti-trust activities and is contesting the allegations.

Adding to the downbeat tone, the company reiterated that it expects group profit before tax to be well below the previous year's level.

BMW's first-quarter earnings before interest and taxes were below the 666 million euros forecast in an analyst poll, weighed down by a 36 percent jump in spending on property, plants and equipment to convert its factories to build electric cars.

Analysts said BMW's results were underwhelming, adding that sales of electric and hybrid cars were not stellar. Shares fell 1 percent after the market opened.

"Business is not doing well at BMW," NordLB analyst Frank Schwope said. That view was shared by Evercore ISI analyst Arndt Ellinghorst who said: "BMW has entered a period of weakness. The question is, how long will it last?"

The carmaker struck to its full year outlook of an increase in vehicle deliveries, and its goal of aiming for an EBIT margin of between 8 percent and 10 percent.

Due to the antitrust proceedings, it expects a margin in the automotive segment of between 4.5 percent and 6.5 percent, the carmaker said.

Investments into new technologies and the rising cost of complying with stricter carbon emissions legislation are also likely to have a dampening effect on earnings.

To counter rising costs, BMW said it will cut the available engine and gearbox combinations by 50 percent and seek efficiency savings of more than 12 billion euros by the end of 2022.

BMW said on Tuesday its automotive division delivered an operating loss in the quarter.

Excluding the impact of the legal provision to cover a potential anti-trust fine, BMW's automotive division delivered an operating margin of 5.6 percent in the first quarter.

By contrast the return on sales at Mercedes-Benz passenger cars fell to 6.1 percent, down from 9 percent a year earlier and rival Volkswagen said the return on sales for its passenger cars business will be at the lower end of its 6.5 percent to 7.5 percent margin target this year.

BMW said it will contest the European Commission's allegations that its participation in industry working groups amounted to anti-competitive behavior.

"The participating engineers from the manufacturers' development departments were concerned with improving exhaust gas treatment technologies. Unlike cartel agreements, the whole industry was aware of these discussions," the carmaker said.

BMW did not make secret agreements to the detriment of suppliers or its customers, the carmaker added.

Fed sounds warning on high stock prices, corporate debt load

AFP, Washington

The US central bank warned Monday of persistent risks to the financial system posed by elevated stock prices and historically high corporate debt loads as well as the impact of President Donald Trump's trade wars.

But major banks and insurance companies appear healthy and there is a low risk they would face a crash crunch during a run by panicked investors, the Federal Reserve said in its latest report on financial stability.

The Fed said conditions had changed little since the assessment made in November, noting the large appetite for risk has kept stock prices relative to expected earnings above their average of the last 30 years, although the situation has eased somewhat.

After a rout in December, the S&P 500, a broad market index comprising the largest US corporations, has now risen more than 15 percent since the start of the year, touching new record heights.

Corporate debt also has grown faster than the economy for the past decade -- with the fastest growth "concentrated among the riskiest firms," the Fed report said.

Meanwhile, outreach to market players and experts showed persistent worries about trade and slowing global growth, particularly in China and Europe -- with a possible "no-deal" Brexit and Italian fiscal woes among the key concerns.

"Trade tensions were the preeminent risk for respondents in the first quarter of 2019," the report said, adding that, while the US-China trade war was major concern, Fed contacts also worried about Trump's threat to slap tariffs on auto imports.

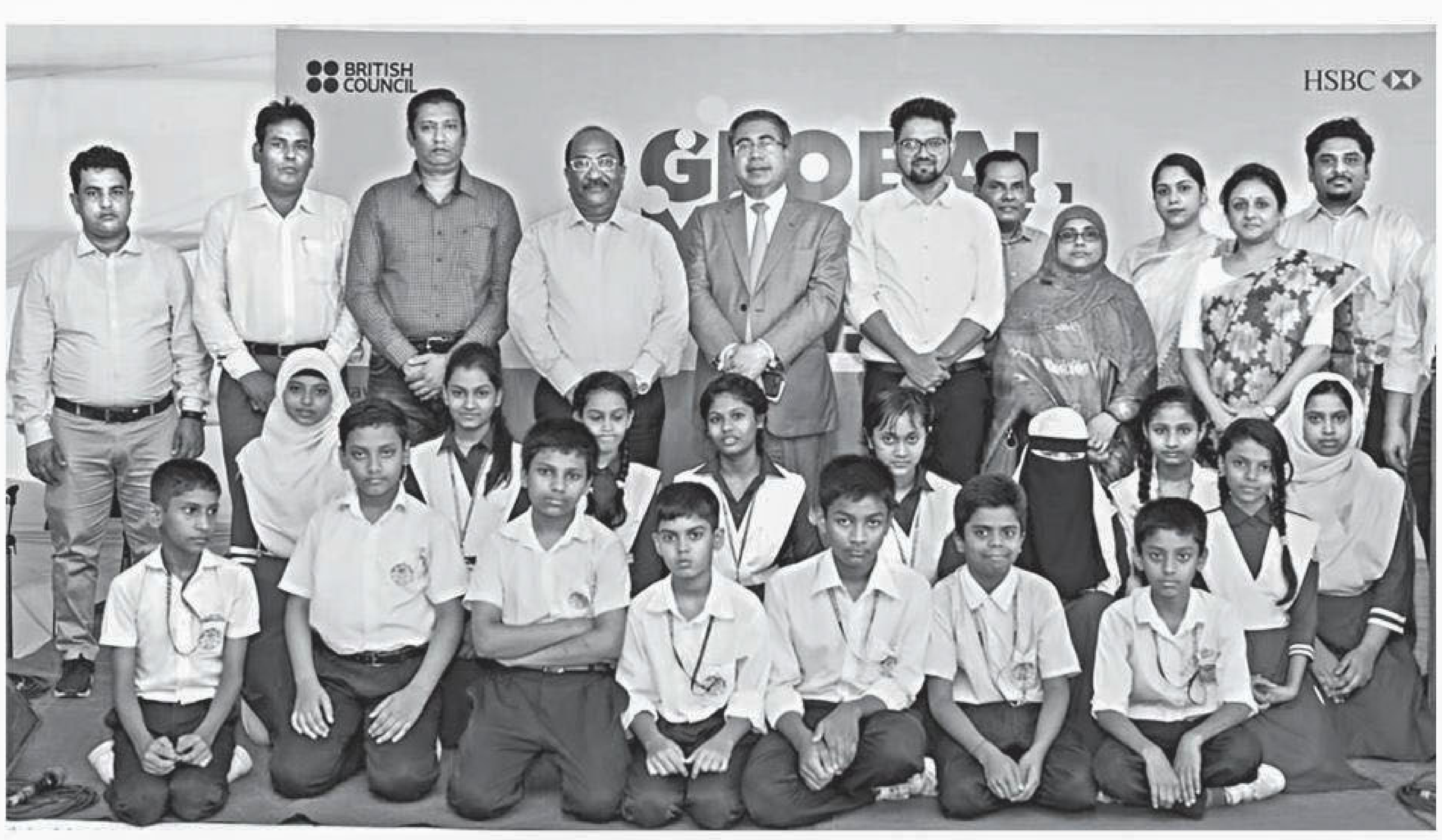
FedEx opens service centre in Banani

STAR BUSINESS DESK

Bangladesh Express Co, licensee of Federal Express Corporation and a concern of MGH Group, opened a new FedEx World Service Center in the capital's Banani yesterday, the 17th in the country.

M Ghaziul Haque, chairman of MGH Group, and Mumtaz Ahmed, chairman of Bangladesh Express Co, attended the inauguration, says a statement.

The multinational courier delivery services company will soon establish more such centres across the country.



HSBC

Shitangshu Kumar Sur Chowdhury, banking reforms adviser at Bangladesh Bank; Md Mahbub Ur Rahman, deputy CEO of HSBC Bangladesh, and Tanvir Alim, head of British Council's cultural centre, attend a celebration of Global Money Week organised by the latter two in Dhaka recently highlighting before schoolchildren the importance of savings.

US says India to address trade barriers after elections

REUTERS, New Delhi

US Commerce Secretary Wilbur Ross said on Tuesday that India's rules on localisation of data and price caps on medical devices imported from the United States were barriers to trade but that New Delhi was committed to addressing them after elections.

Ross, speaking at a business conference in New Delhi, said there were still overly restrictive market barriers in India.

India's staggered general election ends on May 19 and votes will be counted on May 23.

Garment exports to US up 10pc

FROM PAGE B1

A 2018 survey by the US Fashion Industry Association said that companies still source 11 percent to 30 percent of their apparel from Chinese factories.

While this is down from 30 percent to 50 percent the year before, China is still the most important source of clothing, the Bloomberg said.

Bangladesh's garment export to the US market has been showing an upward trend over the last few months because of different reasons like the ongoing trade tariff war between the US and China and enhanced workplace safety.

The tariffs described by the president -- both those that would be increased to 25 percent on Friday, and those that would be added to consumer goods like clothing and shoes that are not currently being charged with punitive tariffs -- will only hurt US families, US workers, US companies and the US economy, said Rick Helfenbein, president and CEO of the American Apparel & Footwear Association (AAFA), in a statement on Sunday.

"We urge the president to refrain from imposing these additional tariffs and instead focus on negotiating and concluding the trade deal with China."

Last year, the AAFA estimated that a 25 percent tariff on the industry's products would result in a family of four paying an additional $500 a year just on these products, according to the statement.

"We strongly oppose the president's announcement that he will continue to penalise American families and add additional obstacles to economic growth by imposing further tariffs on US imports from China," Helfenbein added.

Malaysia cuts interest rate for first time since 2016

AFP, Kuala Lumpur

Malaysia's central bank Tuesday cut its key interest rate for the first time in almost three years as it looks to boost slowing growth as China-US trade tensions weigh on the economy.

The move comes as central banks around the world adopt a more dovish stance in the face of a weak global outlook.

Bank Negara Malaysia cut the rate from by 25 basis points to 3.00 percent, the first reduction since July 2016. The last change was in January 2018 when borrowing costs were increased to 3.25 percent.

Loans getting costlier amid cash crunch

FROM PAGE B1

When the firm contacted the bank, it learned that the delay was because of the liquidity shortage.

The firm, which runs super-shops, has not been able to go ahead with its expansion plan as per schedule as it could not get the fund.

A top executive of the business firm says high interest rate is not a concern; rather, getting loan is a big challenge now.

High imports accounted for the intensification of the liquidity crisis, said Naser Ezaz Bijoy, CEO of Standard Chartered Bangladesh.

He says Bangladesh Bank was selling dollars to meet demand and it was drying up the liquidity.

But, if the BB does not sell the dollar, it will create a risk because banks will fail to make payments against letters of credit which will push up the confirmation cost, according to Bijoy.

The excess liquidity in the banking system is shrinking fast. It stood at Tk 63,900 crore in February, the first time it had come below the Tk 70,000-crore level in five years, central bank data showed.

The excess liquidity refers to the liquid deposits that commercial banks hold with the central bank in excess of minimum reserve requirements. It also includes the funds that banks invest in government bonds.

The excess liquidity had crossed the Tk 1 lakh crore-mark in 2015.

The private sector credit growth declined for the fifth consecutive month in March dipping to 12.42 percent, far below from the central bank's target of 16.5 percent for the January-June period this year.

Stocks continue bleeding

FROM PAGE B1

Of the traded issues, 57 advanced, 262 declined while 28 closed unchanged on the premier bourse.

Fortune Shoes dominated the turnover chart with the transaction of 83.92 lakh shares worth Tk 32.36 crore, followed by Power Grid, Bangladesh Shipping Corporation, Esquire Knit and Monno Ceramic.

Monno Ceramic was the day's best performer as its share price soared 6.65 percent, while Eastern Bank was the worst loser, crashing 15.66 percent. Chattogram stocks also fell yesterday with the bourse's benchmark index, CSCX, declining 99.51 points, or 1 percent, to finish the day at 9,825.86.

Losers beat gainers as 161 declined, 47 advanced while 18 finished unchanged on the Chittagong Stock Exchange.

The port city bourse traded 76.92 lakh shares and mutual fund units worth Tk 26.49 crore.

Bangladesh self-sufficient in billet production

FROM PAGE B1

Shahidullah urged the government to continue providing the regulatory support to help the sector grow so that its contribution to the economy rises further.

Bangladesh is one of the emerging steel markets and has a growing need for raw materials and semi-finished materials, according to Steelmint, an India-based information services provider.

Steel production capacity was 30 lakh tonnes in Bangladesh in fiscal 2015-16, up from 10 lakh tonnes a year ago. The capacity expansion drives have continued in the subsequent years.

Mohammed Jahangir Alam, managing director of GPH Ispat, said local manufacturers were adding value and helping to reduce the price of steel in the local market.

"The billet industry has itself become big along with the finished steel industry and created employment for many."

GPH Ispat's billet manufacturing capacity stands at about 10 lakh tonnes annually, Alam said, adding that they were raising capacity further.

BSRM

Abul Hasnat, head of key account management (sales and marketing) at BSRM, and Tao Jun, a project manager of China Railway Group Ltd (division-1), exchange signed documents of a deal in Dhaka on Monday for the former to supply reinforcement steel for the Padma bridge rail link project.

Foreign funds fall in DSE

FROM PAGE B1

For example, Bangladesh Energy Regulatory Commission (BERC) cut the distribution charge for Titas Gas in 2015. As a result, the utility company lost more than Tk 3,000 crore in market value over a period of five months.

"Any sudden decision hampers investors' decision," said the brokerage house official, adding that there was a lack of coordination among all regulators.

The CEO of another brokerage house blames the depreciation of the local currency which led foreign investors to sell shares in order to book profits.

Yesterday, $1 went for Tk 84.50, up from Tk 82.98 on the same day a year ago, Bangladesh Bank data showed.

Foreign investors apprehend a further depreciation of the taka as the central bank was artificially preventing the devaluation of the currency.