Europe's 5G to cost $62b more if Chinese vendors banned: telcos

REUTERS, *Paris*

A ban on buying telecoms equipment from Chinese firms would add about 55 billion euros ($62 billion) to the cost of 5G networks in Europe and delay the technology by about 18 months, according to an industry analysis seen by Reuters.

The United States added Huawei Technologies, the world's biggest telecoms equipment maker, to a trade blacklist in May, prompting global tech giants to cut ties with the Chinese company and putting pressure on European countries to follow suit.

Washington alleges Huawei's equipment can be used by Beijing for spying, something the company has repeatedly denied.

The move by US President Donald Trump's administration comes as telecoms operators worldwide are gearing up for the arrival of the next generation of mobile technology, or 5G, which promises ultra-fast mobile internet for those able to make the heavy investment needed in networks and equipment.

The estimate is part of a report by telecoms lobby group GSMA, which represents the interests of 750 mobile operators.

GSMA has already voiced concerns about the consequences of a full ban on Huawei, whose products are widely purchased and used by operators in Europe. Huawei is one of the key supporters of the lobby group, several industry sources said.

The 55-billion-euro estimate reflects the total additional costs implied by a full ban on purchases from Huawei and Chinese peer ZTE for the roll out of 5G networks in Europe.

The two Chinese vendors have a combined market share in the European Union of more than 40 percent.

"Half of this (additional cost) would be due to European operators being impacted by higher input costs following significant loss of competition in the mobile equipment market," the report said.

"Additionally, operators would need to replace existing infrastructure before implementing 5G upgrades." Finnish telecoms equipment maker Nokia said that was not true.

"We offer a technical solution whereby we can overlay our 5G equipment on top of another vendor's 4G gear. This solution could reduce the cost and complexity of vendor changes," spokesman Eric Mangan said.

Nokia said this week it had moved ahead of Huawei in total 5G orders and had seen increased interest in its 5G offering from European countries that have been debating the role of Chinese vendors in their networks.

According to the report, a ban would also delay the deployment by 18 months of 5G technology, which will be used in areas ranging from self-driving cars to health and logistics.

"Such a delay would widen the gap in 5G penetration between the EU and the US by more than 15 percentage points by 2025," according to the report. This delay would result from delivery challenges for other major equipment makers, such as Ericsson, Nokia and Samsung, in the event of a sudden surge in demand.

It would also follow from the need for telecoms operators to transition from one set of equipment to another.

REUTERS/FILE

A logo of the upcoming mobile standard 5G is pictured at the Hanover trade fair, in Hanover, Germany.

IMF's Lagarde highlights potential disruptive nature of fintech

REUTERS, *Fukuoka*

International Monetary Fund Managing Director Christine Lagarde warned on Saturday that the increasing presence of technology giants using big data and artificial intelligence could cause a significant disruption to the world's financial system.

The rapid development of financial technology (fintech) has increased access to cheap payment and settlement systems for low-income households in emerging countries where traditional banking networks are scarce.

But it has raised concern about the increasing dominance of big technology firms in mobile payments, which could force global policymakers to rethink the way they regulate the banking system and ensure financial settlements are executed safely.

"A significant disruption to the financial landscape is likely to come from the big tech firms, who will use their enormous customer bases and deep pockets to offer financial products based on big data and artificial intelligence," Lagarde told a symposium on financial technology held on the sidelines of the G20 finance leaders' meeting in Fukuoka, southern Japan.

While such innovation may help modernize financial markets, they could make the financial system vulnerable such by putting payment and settlement systems under the control of a handful of technology giants, she added.

"This presents a unique systemic challenge to financial stability and efficiency, and one I hope we can touch on during the G20, and address in a cooperative and consistent fashion."

Lagarde said China presents an example of the trade-off between benefits and challenges posed by financial technology.

"Over the last five years, technology growth in China has been extremely successful and allowed millions of new entrants to benefit from access to financial products and the creation of high-quality jobs," she said. "But it has also led to two firms controlling more than 90 percent of the mobile payments market."

Addressing the pros and cons of financial innovation is among topics of debate at the two-day meeting of Group of 20 finance ministers and central bank heads that began on Saturday.

IMF Managing Director Christine Lagarde

Pakistan's GDP grows 3.3pc, sharply below target

REUTERS, *Islamabad*

Pakistan's Finance Ministry expects economic growth in the financial year ending in June to hit 3.3 percent, well below a target of 6.2 percent set last year, with key sectors all performing worse than expected, according to a planning document seen by Reuters.

The document also sets a target of 4 percent growth for the 2020 financial year, underlining the economic headwinds facing the government of Prime Minister Imran Khan.

The targets are due to be published officially on Monday ahead of the budget on June 11, which is expected to include tough austerity measures following a provisional bailout agreement with the International Monetary Fund.

Khan's government came to power in August facing a yawning budget deficit expected at around 7 percent of gross domestic product as well as a balance of payments crisis, with foreign exchange reserves that cover less than three months of imports.

It has promised reforms to stimulate exports, cut the deficit and overhaul the power sector, and has pushed ahead with an ambitious infrastructure development project with China. But Pakistani households have struggled, with inflation running at more than 9 percent.

Key sectors in Pakistan's economy are all performing below the levels foreseen in last year's budget, which was passed under the previous government of Shahid Khaqan Abbasi.

Agriculture is seen growing just 0.8 percent compared with a 3.8 percent target, industrial output is set to rise 1.4 percent against a 7.6 percent target and services are forecast to grow 4.7 percent, compared with a target of 6.5 percent.

RBI relaxes stressed asset guidelines for lenders

REUTERS, *Mumbai*

The Reserve Bank of India diluted its guidelines on stressed assets and has now mandated banks to undertake a review of a borrower's accounts within 30 days of default, according to a circular issued on Friday.

A circular issued in February last year required banks to initiate a resolution process as soon as a default took place. Banks unable to agree upon a resolution plan with the defaulter within 180 days were mandated to force them into a time-bound insolvency process.

But that instruction was struck down by the Supreme Court of India in April after several companies challenged the guidelines in court, arguing that the time given by the regulator was insufficient to tackle bad debt issues.

In Friday's circular, the RBI said lenders should work on a resolution plan based on the financial health of borrowers even before a default. In the case of a default by a borrower with even a single lender, all lenders should review the borrower's accounts within 30 days.

"This now puts more responsibility on the bankers. They are now supposed to take timely decisions," said Ramnath Pradeep, the former chairman of Corporation Bank.

Lenders are expected to devise a resolution plan within the 30-day period and also enter into an Inter-Creditor Agreement during this period.

REUTERS/FILE

A police officer stands guard in front of the Reserve Bank of India (RBI) head office in Mumbai.

The resolution plan should be implemented by the lenders within 180 days after the initial review period, the central bank said.

"The new circular is more pragmatic," said Rupa Rege Nitsure, chief economist at L&T Financial Holdings.

"This is more reasonable as defaults could happen due to unpredictable events and things generally don't change within just one day. On balance, the new circular appears to be more practical without diluting the "spirit" of the earlier circular".

The central bank said now approval of lenders representing 75 percent of outstanding loans and 60 percent of number of lenders would be required for the sake of resolution, versus 100 percent earlier which is expected to speed up the process, Nitsure said.

However, in case of delays in implementing a resolution plan, the RBI has instituted additional provisioning norms.

Failure to implement the resolution plan within 180 days of the end of the review period will require banks to make additional provisioning of 20 percent , while banks would need to set aside an additional 15 percent on top of this after one year.

"That I think creates the right environment for finding a resolution. There is some balance and counter balance for all stakeholders," said L. Viswanathan, Partner at legal firm Cyril Amarchand Mangaldas.

Some had challenged the validity of the RBI's February directive in the apex court saying its "one-size-fits-all" did not account for external factors.

The new circular gives borrowers additional time for the resolution process, but the RBI can still direct banks on a case-by-case basis to take defaulters through an insolvency process.

The Supreme Court ruling had provided relief to some major corporate defaulters, but at the same time threw the country's still-nascent bankruptcy regime into question.

Foreign investors have often complained about the slow pace of bad debt resolution in India, which has held back billions of dollars of investment in the country.

Indian banks and financial institutions currently hold combined bad debts of more than 10 trillion rupees ($146 billion) and this has also affected their ability to lend and spur economic growth.

Asia's third-largest economy grew at a much slower-than-expected 5.8 percent in the March quarter.

The new guidelines are not industry specific and hence do not benefit any particular sector, but they would help most small borrowers, the chief executive of an asset reconstruction company said.

The revised guidelines take effect immediately for borrowers who have defaulted on loans worth 20 billion rupees or more, the RBI said, while for those with loans of 15 to 20 billion they will take effect next January. The RBI did not give a date for those with less than 15 billion rupees in defaulted loans.

This essentially gives small borrowers more time to resolve or pay back loans, said industry experts.

"Some large power companies and a few infrastructure companies will fall under the gamut of the 20 billion rupee and above soured loans," the chief executive said, adding that several power companies fall into the small borrower category.

Five VAT rates on cards

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He said the multiple VAT rates are present in many countries and a single rate is applied at the all stages of a sector. But, different VAT rates at multi-stage is seen nowhere, he said.

"This is unique in Bangladesh. It is likely to be a convoluted law," he said.

Apart from imposing multiple VAT rates, the government may also bring more areas under the advance trade VAT and slap 15 percent VAT on all imported items to increase revenue collection. Currently, commercial importers pay 15 percent VAT on imports.

The VAT-free annual turnover limit would be increased to Tk 50 lakh from existing Tk 36 lakh. The ceiling of turnover tax is expected to go up to Tk 3 crore from Tk 80 lakh.

The rate of turnover tax would be increased to 4 percent from 3 percent.

BoE's Haldane says time nearing for UK rate rise

REUTERS, *London*

The Bank of England is approaching the time when it will need to raise interest rates again to keep inflation pressures in check, its chief economist Andy Haldane wrote in an article which pushes back strongly against recent market sentiment.

Britain is set for "steady if not spectacular" economic expansion in 2019 and a "lost decade" for wage growth is coming to an end, Haldane wrote in an opinion piece for Saturday's edition of the Sun newspaper.

"For me personally, the time is nearing when a small rise in rates would be prudent to nip any inflationary risks in the bud," he said. "Acting early with a rate rise acts as insurance against the need for faster and larger rises in interest rates in future."

Cash incentive inadequate

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The local spinners and weavers have also been passing through bad time due to Western brands' insistence on sourcing fabrics from a country of their choice.

Similarly, Kazi Belayet Hossain, president of Bangladesh Frozen Foods Exporters Association, said 1 percent cash incentive is too scanty for the revival of the frozen food sector.

Currently, the government gives 10 percent cash subsidy on export of frozen food.

"Our demand is 20 percent cash incentive on export of frozen foods as we are facing competition from India and Vietnam as those countries can export high-yielding vannamei variety of shrimps," Hossain said.

The farmers started cultivation of vannamei variety of shrimps at Cox's Bazar and Chittagong on a pilot basis from last year.

"We will start getting benefit from the vannamei shrimp cultivation in the next five years if the pilot projects succeed," Hossain also said.

Regardless of the amount, the BGMEA president said the government should ease the process of releasing the cash incentive money so that exporters can utilise the funds timely.

The government's subsidy expenditure is likely to soar 22.28 percent year-on-year to about Tk 45,000 crore next fiscal year.

Currently, 26 sectors are provided with cash incentives ranging from 2 percent to 20 percent of their export proceeds to encourage higher shipments.

PwC proposes tax incentives to attract FDI

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Options may be provided to the companies investing in these areas to claim income tax exemption for any consecutive 10 or 15 years, out of initial 15 or 20 years respectively starting from the year in which commercial operation starts, the PwC said.

Period of income tax exemption may be increased from 10 years to 15 years, like for the infrastructure sector and companies established in economic zones, according to the analysis. Similar income tax exemptions should also be provided to companies engaged in automobile industry to attract investors and FDI, it said.

Full income tax exemption may be provided throughout the 15-year period to units established in economic zones instead of the current reducing percentage method.

Agricultural census 2018 begins today

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"A total of 144,044 data collectors will work in the field. They will be overseen by 23,142 supervisors," said Jafor Ahmed Khan, project director and joint secretary at the planning ministry.

Last month, the BBS arranged a three-day training for the divisional and district level census coordinators in Dhaka. A similar consensus took place in 2008.

Indices under strain as usual

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Market analysts say in some cases there was nothing in proposed budgets for the stock market, spooking investors' confidence.

Abu Ahmed, a stock market analyst, says investors always expect some incentives in budgets but they got nothing in the last five or six years.

"So, the index fell ahead of the unveiling of the budget," said Ahmed, also a former chairman of the economics department of the University of Dhaka.

To lift investors' confidence, the government should give an incentive package so that well-performing non-listed companies enter the stock market, he said.

"If it happens, it will be a good incentive for the market."

A top official of a brokerage house says a vested quarter spreads rumours ahead of the budget that also affects the market as well.

Budgets also bring policy changes that affect the earnings of listed companies.

"So, the confidence of the investors becomes shaky ahead of the budget," the official said.

Sharif Hasan, an investor, says the government doesn't offer incentives despite high expectations.

"Policies should be consistent in favour of investors so that rumours don't work."

Finance Minister AHM Mustafa Kamal, however, has assured that there would be something for the investors when he unveils the country's budget for the next fiscal year on June 13.

Sluggish deposit growth poses stability risks: BB

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The government did not borrow from the banking sources in the first 10 months of the fiscal year, but from May it fired up its domestic borrowing, sending the cash-strapped banks into a state of panic.

MA Halim Chowdhury, managing director of Pubali Bank, however, expressed hope that the tight liquidity position in banks might ease slightly as remittance was on the increase.

The month of May saw a record amount of remittance flow for a single month as expatriate Bangladeshis sent $1.75 billion to ensure that their loved ones back home can celebrate Eid-ul-Fitr with more festivities.

May's receipts were up 22.43 percent from a year earlier and 16.64 percent from a month earlier. Last month's inflows take the remittance receipts in the first 11 months of the fiscal year to $15.50 billion, up 11.74 percent year-on-year.

Although the government did not cut the rate on its savings tools, it has tightened the policy for investment in the instruments which will strengthen the banks' liquidity base, Chowdhury said.