

Indian govt dampens hopes of economic stimulus

AFP, Mumbai

Indian markets fell on Friday after a top official dampened hopes of a stimulus package to support a misfiring economy and ease a liquidity crunch in Asia's third-largest economy.

India's economic growth has slowed in the past three consecutive quarters, losing its status as the world's fastest-growing major economy to China, with unemployment at its highest since the 1970s.

Industry figures have been calling on newly re-elected Prime Minister Narendra Modi's government to provide more of a fiscal boost as signs multiply that numerous sectors are suffering a painful slowdown.

But Krishnamurthy Subramanian, the government's chief economic advisor, suggested on Thursday that state intervention creates a "moral hazard" and is "anathema to the way the market economy functions".

Reportedly under pressure from the government, India's central bank in August cut interest rates for the fourth time this year to a nine-year low in an attempt to boost growth.

The automotive sector is particularly stricken, with car sales plunging 31 percent in July, the ninth consecutive monthly drop, prompting manufacturers to halt production at some plants.

India's largest biscuit maker Parle Products warned this week that it



AFP/FILE

A worker climbs up to a pillar of a metro railway under construction in Kolkata.

might have to lay off up to 10,000 workers if the government doesn't cut sales taxes.

Part of the problem is that India's banks are reluctant to lend following a slew of bad loans, with the deputy head of government think-tank Niti Aayog calling for Modi's government to "take steps that are out of the ordinary".

"For the last 70 years, we have not faced this kind of a liquidity situation. (The) entire financial sector is up in a churn and nobody is trusting anybody else," Rajiv Kumar said.

Gross domestic product (GDP)

for the world's sixth-biggest economy grew 5.8 percent in the final quarter of 2018, down from 6.6 percent in the previous quarter. Economists at Nomura predicted this week a further slowing of momentum, forecasting growth of 5.7 percent in the first three months of 2019. GDP data are due next Friday.

Shares fell sharply on Thursday on Subramanian's comments with the Sensex index dropping almost 600 points. On Friday morning the index fell almost 100 points before recovering slightly.

World needs to end risky reliance on US dollar: BoE's Carney

REUTERS, Jackson Hole, Wyoming

Bank of England Governor Mark Carney took aim at the US dollar's "destabilizing" role in the world economy on Friday and said central banks might need to join together to create their own replacement reserve currency.

The dollar's dominance of the global financial system increased the risks of a liquidity trap of ultra-low interest rates and weak growth, Carney told central bankers from around the world gathered in Jackson Hole, Wyoming, in the United States.

"While the world economy is being reordered, the US dollar remains as important as when Bretton Woods collapsed," Carney said, referring to the end of the dollar's peg to gold in the early 1970s.

Emerging economies had increased their share of global activity to 60 percent from around 45 percent before the financial crisis a decade ago, Carney said.

But the dollar was still used for at least half of international trade invoices - five times more than the United States' share of world goods imports - fuelling demand for US assets and exposing many countries to damaging spillovers from swings in the US economy.

Carney - who was considered a candidate to be the next head of the International Monetary Fund but failed to secure backing from Europe's governments - said the problems in financial system were encouraging protectionist and populist policies.



REUTERS/FILE

Federal Reserve Chair Jerome Powell and Governor of the Bank of England Mark Carney chat during the three-day "Challenges for Monetary Policy" conference in Jackson Hole, Wyoming on August 23.

Earlier on Friday, US President Donald Trump said he was ordering US companies to look at ways to close their operations in China, the latest escalation of mounting trade tensions between Washington and Beijing.

Carney warned that very low equilibrium interest rates had in the past coincided with wars, financial crises and abrupt changes in the banking system.

As a first step to reorder the world's financial system, countries could triple the resources of the IMF to \$3 trillion as a better alternative to countries protecting themselves by racking up enormous piles of dollar-

denominated debt.

"While such concerted efforts can improve the functioning of the current system, ultimately a multi-polar global economy requires a new IMFS (international monetary and financial system) to realize its full potential," Carney said.

China's yuan represented the most likely candidate to become a reserve currency to match the dollar, but it still had a long way to go before it was ready.

The best solution would be a diversified multi-polar financial system, something that could be provided by technology, Carney said.



Karmasangsthan Bank gets new MD

STAR BUSINESS DESK

Kazi Sanaul Hoq has recently joined Karmasangsthan Bank as managing director.

He had previously been serving the Investment Corporation of Bangladesh as managing director.

Hoq was also managing director of Rajshahi Krishi Unnayan Bank, deputy managing director of Agrani Bank and CEO of ICB Securities Trading Company Limited.

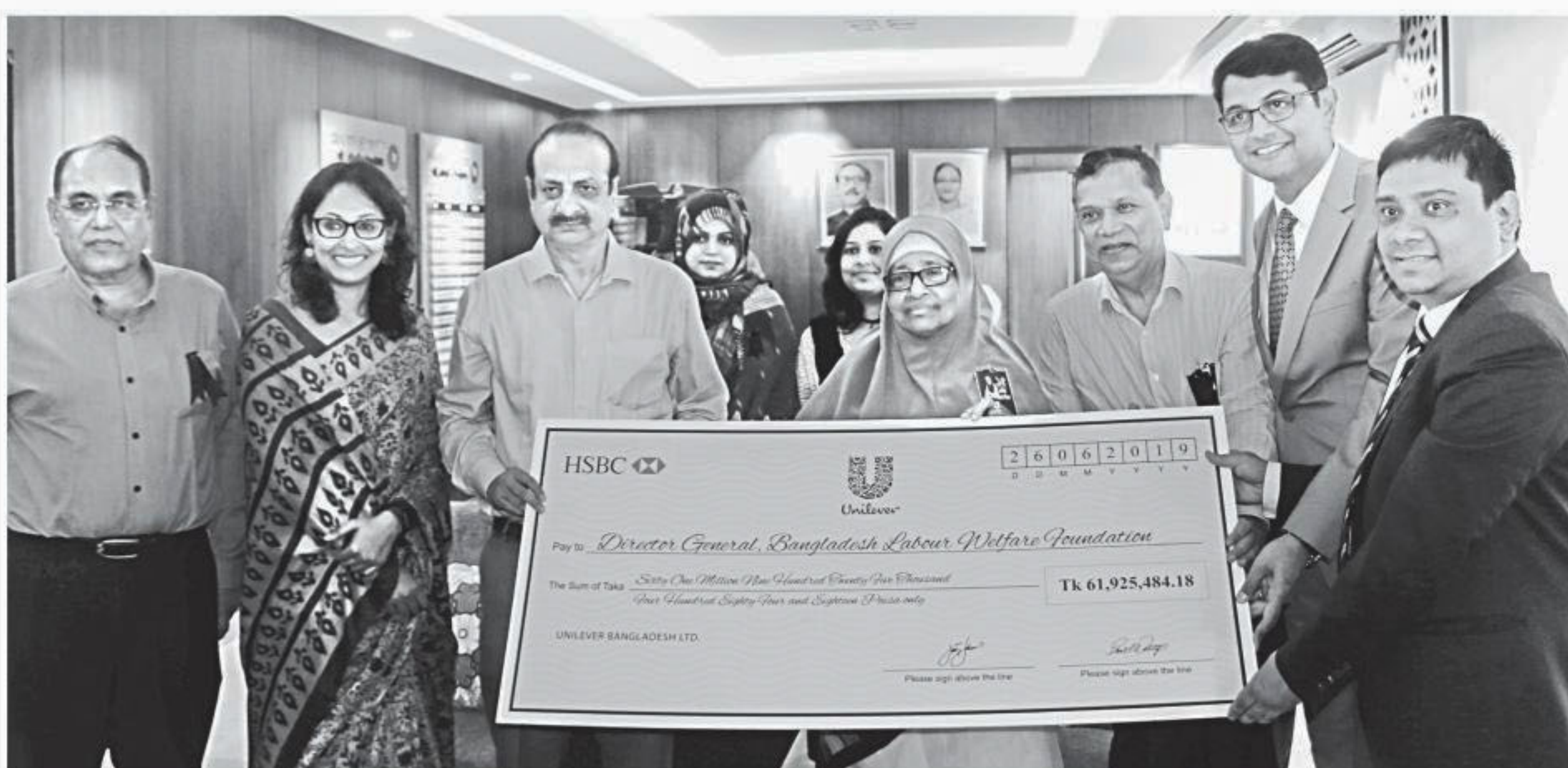
Hoq started his career as a senior officer of the ICB, attaining BCom (Hon's) and MCom degrees in accounting from the University of Dhaka.

Padma Bank struggles to return fixed deposits

FROM PAGE B1

This prompted the central bank and the government to step in and rescue the bank. Four state-owned commercial banks -- Sonali, Janata, Agrani and Rupali -- and the Investment Corporation of Bangladesh bailed out the bank by buying equity shares worth Tk 715 crore in March last year.

Ehsan Khasru, managing director of the bank, could not be reached for comments on the issue.



UNILEVER

Kedar Lele, CEO of Unilever Bangladesh, hands over a cheque worth Tk 6.2 crore to Begum Monnujan Sufian, state minister for labour and employment, at Bangladesh Secretariat in Dhaka recently. Unilever provided the amount as a share of its profit for workers' welfare, which is mandated by law.

Fed's Powell vows to act to sustain US expansion, Trump lashes out

AFP, Washington

Federal Reserve Chair Jerome Powell vowed Friday to act to ensure that the US economic expansion continues, but admitted the central bank had limited tools to respond to an intensifying trade war.

Powell's speech in Wyoming -- in which he said trade tensions was exacerbating the global slowdown -- came on the heels of China's decision to impose \$75 billion in new tariffs on US soybeans, lobsters, peanut butter and other imports.

US President Donald Trump lost no time in criticizing Powell -- and swiping at Beijing.

In a furious flurry of tweets, Trump attacked the Fed's stewardship of the world's biggest economy and vowed a quick response to China.

"As usual, the Fed did NOTHING! It is incredible that they can 'speak' without knowing or asking what I am doing, which will be announced shortly. We have a very strong dollar and a very weak Fed," Trump tweeted after Powell's comments.

"My only question is, who is our bigger enemy, Jay Powell or Chairman Xi?" Trump said, misspelling the Fed chief's name.

The Fed cut the benchmark interest rate last month for the first time in more than a decade, partly due to the anticipated impact of trade uncertainties on the growth.

But in his hotly anticipated speech to an annual central banking conference in Jackson Hole, Powell cautioned that the Fed has no "rulebook" for dealing with the impact generated by trade uncertainties.

Haque Brothers brings Singaporean musical systems brand

STAR BUSINESS DESK

Haque Brothers has recently brought Singaporean musical systems brand Redner to Bangladesh.

Different models of multimedia speakers, bluetooths, remote controls and FM radio, priced between Tk 1,750 to Tk 9,500, will be available with one year's warranty, says a statement.

Walton products available on Amazon

FROM PAGE B1

"Products made in Bangladesh are going to the American market. This is not only a historic day for Walton, but also a historic day for Bangladesh as well. It's a historic day for Digital Bangladesh," said Palak.

"Walton products are being exported to the country that is leading the world's digital economy."

This is a big achievement for us. "I consider Walton not a private company but our national pride. They are making a significant contribution to the economy of the country. They are our partners in making Digital Bangladesh," he added.

"Today is an important day for Amazon, Walton and Bangladesh. There is a global demand for products made in Bangladesh," said Pandey.

Walton's target is to build up a strong position in the global market through the export of \$1 billion worth of products, said

Edward Kim, president for the international business unit of Walton Group.

Along with promoting its own products, Walton is also working hard to increase the volume of business in the international market by turning up as an original equipment manufacturer, he added.

Original equipment manufacturer refers to a company whose goods are used as components in the products of another company, which then sells the finished item to users.

"This deal with Amazon is opening up our products to the American market that will pave the way for Walton to become one of the world's top brands by 2030," said Kim.

SM Shamsul Alam, vice chairman of Walton Hi-Tech Industries; SM Ashrafur Alam, managing director, and SM Mahbubul Alam, chairman of Walton Corporation, were present.



COLLECTED

Md Nojibur Rahman, fourth from left in the first row, the Prime Minister's principal secretary, is seen holding the national flag of Bangladesh at the opening ceremony of WorldSkills Competition 2019 in Kazan, Russia. Two Bangladeshi youths will take part in the competition.

Stock brokers in a tight corner

FROM PAGE B1

"The brokers hope there will be good days in the future, so they have kept their businesses open despite the losses," said the official, also a leader of the DSE Brokers Association.

A top official of another stock brokerage says the number of stock investors has fallen in the last few years and their investment dipped.

According to the Central Depository Bangladesh, the number of beneficiary owners' account was 25.34 lakh on Thursday, down from 27.96 lakh in December 2013.

Although the turnover has remained almost stagnant in the last few years, the cost of brokerage houses has been rising, the top official said.

He said general investors are also moving away from individually owned stock brokerages to the ones run by financial institutions -- a development that is hurting the small entities.

Among the stock brokers operated by financial institutions, PFI Securities incurred a loss of Tk 5.72 crore in 2018, which was Tk 21.59 crore a year ago.

LankaBangla Securities, one of the leading stock brokers, clocked a profit of Tk 28.14 crore last year, down from Tk 82.61 crore in 2017.

Brac EPL's profit fell to Tk 2.42 crore from Tk 20.47 crore while IDLC Securities made a profit of Tk 36.55 crore in 2018, from Tk 38 crore the previous year.

Unicap Securities posted a profit of Tk 43.97 lakh in 2018, way lower than the Tk 2.43 crore achieved the previous year.

The bourse itself is under pressure.

The low turnover of the DSE is not generating enough income for the premier bourse, said a former top official of the DSE.

He said the bourse is struggling to meet the cost from its main source of income. Still, it managed to declare profit in the last few years on the basis of the interest income from the fixed deposit with banks.

"The DSE needs at least Tk 1,000 crore in daily turnover to make profit."

IMF projects 7.6pc GDP growth this fiscal year

FROM PAGE B1

However, providing alternative sources of long-term investment financing, improving the business environment and developing a well-functioning domestic capital market are medium-term priorities.

Regarding the Rohingya issue, the IMF said although the economic impact so far is limited, the Rohingya refugee surge could have implications for economic policies.

Thus far, there has been little progress with repatriating more than 700,000 Rohingya refugees.

While a large share of the immediate relief needs has been met with support from the international community, the support could decline over time. Thus, if the situation persists, assisting the refugees and integrating them into the local community could have a sizeable impact on the budget.

Tangail rawhide traders stare at losses

FROM PAGE B1

Khokon said although the small and seasonal traders have already taken the rawhides to the market, there are an insignificant number of buyers.

He said traders are expecting more buyers and supply of rawhides on Sunday's weekly market.

The supply of the rawhides may be less than 50 percent this year compared to what it was last year, he said.

Sajedul Islam, a small rawhide trader from Silimpur market in Delduar upazila, says wholesalers are not showing interest to buy the hides, saying that tanners did not clear the dues and could not sell the rawhides they had purchased last year.

"We are unable to clear the dues of the seasonal traders as the tannery owners in Dhaka did not pay even 10 percent of last year's arrears," Badsha Miah, a wholesaler, said.

Some 400 to 500 people were engaged in the seasonal rawhide business in the district in the past but the number has fallen to about 200 this year, he added.



WALTON

Shashank Pandey, country manager of Amazon BD, and Liakat Ali, an executive director of Walton Group, exchange the signed document of a deal at the latter's corporate office in Dhaka on Thursday. The local brand will initially sell their products in the American market using the e-commerce platform. Zunaid Ahmed Palak, state minister for ICT, attended the event as chief guest. Story on B1.