

Low growth, high inflation are top risks for India Say economists

REUTERS, Bengaluru

India's economy will grow about 6 per cent this fiscal year with a small increase in private investment, according to a Reuters poll of economists who said lower growth and high inflation were the biggest risks to the outlook.

While that was expected to be faster than other major economies, India needs higher growth and investment to create enough jobs for the millions of people joining the workforce every year.

Gross domestic product (GDP) was forecast to have grown at an annual 5.0 per cent in January-March, up from 4.4 per cent in the preceding quarter, the May 16-25 poll of 56 economists showed. Forecasts ranged widely, from 3.4 per cent to 6.0 per cent.

Growth was forecast to average 6.0 per cent for the current fiscal year and then improve to 6.4 per cent in 2024-25, survey medians showed. Those estimates were largely unchanged from an April poll.

But many economists say this is still below potential. "The issue now is (to) move back to over 7 per cent we saw during high-growth years...we need to bring in a lot more reforms," said Sakshi Gupta, principal economist at HDFC Bank.

A moderate global economic outlook and the high risk of below-average rainfall in India this year suggest Asia's third-largest economy may grow by less than expected but still generate high inflation

"The current growth momentum doesn't seem to suggest we will be able to reach it if we continue on this path." A moderate global economic outlook and the high risk of below-average rainfall in India this year, which threatens agricultural production and food supplies, suggest Asia's third-largest economy may grow by less than expected but still generate high inflation.

Nearly 60 per cent of respondents, 22 of 38, said that was the biggest economic risk this year. A further 12 chose low growth with low inflation, while four said high growth and high inflation.

Inflation was predicted to average 5.1 per cent and 4.8 per cent this fiscal year and next, respectively, above the Reserve Bank of India's medium-term target of 4 per cent, suggesting interest rate cuts are unlikely in the short term after a year of rate rises.

Ongoing price pressures and lagging private investment pose challenges for Prime Minister Narendra Modi's government as it readies for national elections next year.

Private investment as a proportion of the economy has consistently declined since 2011. Over 55 per cent of economists, 21 of 38, predict a modest increase this fiscal year. Another 13 expect it to stay the same and four said it would fall.

"We anticipate private investment to grow, but growth will remain lacklustre against a backdrop of slowing private and external consumption demand, global uncertainties and higher interest rates," said Alexandra Hermann at Oxford Economics.



Mohammed Amirul Haque, chairman of Premier Cement Mills, and Alamgir Morshed, executive director and CEO of Infrastructure Development Company Limited (Idcol), signed an agreement on a long-term loan facility at Pan Pacific Sonargaon Dhaka yesterday. Among others, Nazmul Haque, chief investment officer of Idcol, Humaira Azam, managing director of Trust Bank, and Md Amin Helaly, vice-president of the Federation of Bangladesh Chambers of Commerce and Industry, were present. Story on B1

PHOTO: IDCOL



Aziz Al Mahmood, chairman of IDLC Finance, virtually attended its 38th annual general meeting last week. The shareholders approved 15 per cent cash dividend for 2022. Atiqur Rahman, Nurullah Chaudhury, Mahia Juned, Md Kamrul Hassan and Sayed Bealal Hossain, directors of the non-bank financial institution, Farooq Sobhan and Md Khalilur Rahman, independent directors, and M Jamal Uddin, managing director, also joined the meeting.

PHOTO: IDLC FINANCE

IMF lifts US growth forecast for 2023

AFP, Washington

The International Monetary Fund slightly raised its forecast for 2023 US economic growth Friday while noting that a slowing economy will likely lead to a small increase in unemployment in 2024.

"The US economy has proven resilient," IMF managing director Kristalina Georgieva said in a press conference, shortly after the updated figures were released.

Georgieva also sounded a warning about the ongoing stalemate in the United States over raising borrowing limits before a June 1 deadline, and called for Republicans and Democrats in Congress to come to a "speedy resolution."

"We think of the US Treasury market as an anchor for the global financial system, and this anchor needs to hold," she said.

Real GDP growth in the United States is expected to rise by 1.7 per cent this year, up from 1.6 per cent forecast earlier this year, before slowing to 1.0 per cent in 2024, the IMF said in a statement.

The US unemployment rate, which is currently at near-record lows, is expected to tick up slightly, with "slowing, but still solid, growth" pushing it to increase to 4.4 per cent by the end of next year, the IMF statement said.

The IMF's new US forecast follows recent data which indicates a resilient economy in spite of an

aggressive campaign of interest-rate hikes to counter high inflation by the US Federal Reserve, and recent stresses in the banking sector.

Addressing inflation, Georgieva said resilient demand and a strong labor market had been "something of a double-edged sword" for the US economy.

"They have been certainly a boost to American families, but they have also contributed to more persistent inflation than had been anticipated," she said.

The IMF now expects inflation to remain stubbornly above target into 2025.

As a result, Georgieva said, the Fed's job of raising interest rates "is not quite yet done."

Economic development in Asia still faces many challenges

China minister says

REUTERS, Beijing

Economic and trade development in the Asia-Pacific still faces many disturbances and challenges, China's commerce minister Wang Wentao said.

Wang made the comments at the Asia-Pacific Economic Cooperation (APEC) conference in Detroit, where he met with several leaders and exchanged views on multilateral and bilateral economic and trade issues amid wider global trade rifts and uncertainties.

Wang said he recognized the difficulties faced by the region, but added that China, as a major developing country, was willing to make due contributions.

"The Asia-Pacific region has always been the region with the

most growth vitality, development potential and economic resilience in the global economy, but economic and trade development still faces many disturbances and challenges," Wang said, according to a statement from the Chinese Ministry of Commerce.

Wang also discussed China's positions on supporting the multilateral trading system and promoting sustainable and inclusive trade development.

"China calls on APEC economies to continue to uphold open regionalism, unswervingly promote the process of regional economic integration, further deepen trade and investment cooperation, and share the opportunities and dividends brought by the integrated development of regional industrial

chains and supply chains," Wang said.

World leaders have been looking for ways to fortify global supply chains, which are still wobbly in the post-Covid world.

China's economy has been struggling to regain solid footing after its own restrictive three-year Covid-19 policies dampened growth. The curbs were largely dismantled in December and the government has ramped up several measures to ignite economic expansion.

Wang also urged APEC countries to carry out policy exchanges and coordination, promote industrial cooperation and infrastructure investment, assist the least developed economies, and help small and medium-sized enterprises share development opportunities.

Mercantile Bank puts customers

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accommodative and expansionary monetary policy, coupled with stable inflation, is bound to generate positive sentiments relating to the country's economic revival.

"Despite the current uncertain environment, we remain hopeful of growing our business. As the crisis gradually recedes, there would be a greater ease of doing business and we will forge ahead riding on that."

In order to achieve its targets for 2023, the private commercial bank plans to continue to strengthen its technology and improve service standards and operational processes in a bid to meet the expectations of customers.

"There is no denying that digital banking has already become a part of our clients' lifestyles," said Chowdhury.

"We also think it is important to collaborate with like-minded partners to deliver practical solutions and high-quality products that are

unique in the market."

The CEO says the aim of Mercantile Bank is to serve the people in a unique way and it has kept its promise.

He also touched upon the current financial health of the banking sector. The post-pandemic situation and the Russia-Ukraine war have taken their toll on the global economy as well as the economy of Bangladesh.

"Still, Bangladesh's economy is stronger compared to many other countries," Chowdhury said, adding that Bangladesh has taken the initiatives to strengthen the foreign exchange market in order to stabilise the ongoing situation.

Non-performing loans will reduce automatically once the economy overcomes the impacts emanating from the pandemic and the war, he said, suggesting ensuring adequate collaterals against loans, carrying out feasibility studies of projects before sanctioning loans, proper documentation, and strong monitoring.

In 2022, Mercantile Bank inaugurated a Shariah-based branch in the capital's Dilkusha. Its all branches and sub-branches will also provide Islamic banking services to the people.

The private commercial bank received the "National Productivity and Quality Excellence Award 2016" from the National Productivity Organisation under the industries ministry in recognition of its unwavering commitment towards best customer service, CSR activities and good governance.

The bank won the "US Dollar Clearing MT202 Elite Quality Recognition Award" from JP Morgan Chase Bank and the AmCham CSR Excellence Award. Mercantile Bank has been awarded on a number of occasions by the Institute of Chartered Accountants of Bangladesh for best-presented annual reports.

"This testifies to our commitment to promoting transparency," Chowdhury added.

The end of King Dollar?

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The dollar is on one side of almost 90 per cent of global forex transactions, representing about \$6.6 trillion in 2022, according to BIS data.

About half of all offshore debt is in dollars, the BIS said, and half of all global trade is invoiced in dollars.

The dollar's functions "all reinforce each other," said Berkeley economics and political science professor Barry Eichengreen.

"There just isn't a mechanism for getting banks and firms and governments all to change their behaviours at the same time."

While there may not be a single dollar successor, mushrooming alternatives could create a multipolar world.

BNY Mellon's Yu said nations were realising that one or two dominant reserve asset blocks was "just not diversified enough."

Global central banks are looking at a wider variety of assets, including corporate debt, tangible assets such as real estate, and other currencies. "This is the process that is underway," said Mark Tinker, managing director of Toscafund Hong Kong. "The dollar is going to be used less in the global system."

Because large bank deposits are not always insured, businesses use government bonds as a cash alternative. The dollar's status is therefore underpinned by the \$23 trillion US Treasury market - viewed as a safe haven for money. "The depth, liquidity and safety

of the Treasury market is a big reason why the dollar is a leading reserve currency," said Brad Setser, a Council on Foreign Relations fellow who tracks cross-border currency flows.

International holdings of Treasuries are vast and there's no credible alternative yet. Germany's bond market is relatively small, at just over \$2 trillion.

Commodities producers may agree to trade with China in yuan, but recycling cash into Chinese government bonds remains tricky due to difficulties opening accounts and regulatory uncertainty.

"But you can hop on an app and trade Treasuries from anywhere," Natwest Markets emerging markets strategist Galvin Chia said.

Corporate tax cut of FY23

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But the precondition was that non-listed companies had to use banking channels to receive all revenues and receipts, conduct all single transactions exceeding Tk 5 lakh, and execute expenses and investments worth over Tk 36 lakh annually.

In case of failure to do so, companies will have to pay a 30 per cent tax on their profits.

"It was not practical to limit cash transactions to Tk 36 lakh," Alihussain said.

An increase in value added tax (VAT) on mild steel products and high tax deduction on suppliers' bills increased the cost of doing business, he said.

However, the NBR's decision to simplify the central VAT registration process for manufacturing companies was favourable for reducing tax burdens, saved time and brought ease to the

process of doing business, he said.

Besides, the tax authority's decision to increase limits of perquisites reduced companies' tax burden, he added.

As the government is set to unveil tax measures for fiscal year 2023-24, Alihussain urged the tax authority to reduce minimum tax.

He also demanded formulation of a policy to determine prices of imported goods to assess customs duties. "This can be done through coordination between local and international customs organisations," he said.

The BSRM chief wanted a reduction in the import duty on all types of raw materials, including scrap metal.

"As utility expenses has increased and the dollar becomes costly, the manufacturing cost for steel products is increasing. Hence, VAT on per tonne of rod should be reduced," he said.

"Uninterrupted electricity and supply of gas, assurance of allowing opening letters of credit for importing raw materials and a stable exchange rate of the US dollar against the taka need to be ensured," he said.

Alihussain also urged the tax administration to expand the tax network across the country.

"In a country like Bangladesh, where few people pay income tax, the theory of imposing higher taxes on the rich to reduce inequality will not work, rather it will always encourage tax avoidance," he said.

"Overall income tax rates on individual income need to be reduced to encourage more people to come under the tax net," he said.

Also, the revenue authority should take steps to ensure issuance and use of VAT receipts for all sorts of product and services, he added.

bKash in Kotler's marketing book

STAR BUSINESS REPORT

Two case studies of mobile financial service provider bKash have been featured in a local edition of the "Essentials of Modern Marketing", a marketing book written by professor Dr. Philip Kotler narrating market-specific success stories across the world.

One of the case studies "bKash: Bangladesh's MFS Story" states bKash's journey, particularly how its founder Kamal Quadir steered the largest MFS provider in the country, said a press release.

It also talks of how bKash brought a breakthrough in financial inclusion; the company's core values in business and its impactful role as an alternative financial lifeline during the Covid-19.

The other case study, "bKash App, A Household Tool", features how an app has become a one-stop solution for household financial transactions.

It highlights the story of making peoples' lives easier through the bKash app's features like send money, cash-in, cash-out, merchant payment, mobile recharge and money transfer between banks and bKash.

The book was unveiled at an award giving ceremony jointly organised by Kotler Impact Incorporation, Canada and Northern Education Group in a city hotel on Monday when Dr. Philip Kotler joined virtually.

MA Mannan, minister for planning, and Mashur Rahman, economic affairs adviser to the prime minister, were present.

MetLife honours best-performing financial associates

STAR BUSINESS DESK

MetLife Bangladesh has recently honoured its best-performing financial associates, unit managers and branch managers.

In a ceremony in the capital, the insurer recognised the award recipients for their exceptional business performance, the use of digital technology, better customer service, the creation of jobs and their efforts to make insurance more accessible specifically to the people of Bangladesh.

Mohammad Jainul Bari, chairman of the Insurance Development and Regulatory Authority, attended the ceremony as chief guest, said a press release.

Financial associates play a vital role in taking insurance to millions of people, said Ala Ahmad, chief executive officer of MetLife Bangladesh.

"Their dedication and commitment have significantly influenced the lives of many in our community. We... remain committed to investing in their professional development to further enhance their skills and potential," Ahmad said.

Elena Butarova, regional head of MetLife for Bangladesh, Malaysia, Nepal and Vietnam, and said Jafar Sadeque Chowdhury, additional managing director of MetLife Bangladesh, were also present.