

US central bank ready to respond to changing economy



The US Federal Reserve building is seen in Washington.

AFP, New York

US interest rates are in a good place for now but policymakers are ready to change direction if the economy needs it, the second in command at the Federal Reserve said Thursday.

Fed Vice Chairman Richard Clarida said he expected the strong American consumer to continue to drive the current economic expansion, now in a record 11th year. Monetary policy is in a "good place" -- after three rate cuts last year -- and will continue to support growth, Clarida said in a speech.

But if the economic outlook changes "we will respond accordingly," Clarida's

comments before the Council on Foreign Relations echo the statements from Fed chief Jerome Powell in December following the final policy meeting of 2018.

The central bank was forced to change direction, restoring some stimulus to the economy by lowering the benchmark interest rate, after the series of nine increases begun in 2015 as the US recovered from the 2008 global financial crisis. "The shift in the stance of monetary policy that we undertook in 2019 was, I believe, well timed and has been providing support to the economy and helping to keep the US outlook on track," Clarida said in his

prepared remarks.

But he stressed that policy "is not on a preset course." "Of course, if developments emerge that, in the future, trigger a material reassessment of our outlook, we will respond accordingly." - Consumers are strong - The Fed continues to expect the economy to grow at a modest pace, with inflation below but approaching the two percent goal, even as labor markets remain strong with unemployment at a 50-year low. Fed policymakers now say the chances of recession have fallen in recent months after a summer scare but that risks remain, according to a readout from the December meeting.

President Donald Trump has since announced a partial trade agreement with China, marking an end to escalation between the world's two largest economies and easing anxieties on markets. Clarida also said growing wages, low unemployment, stable household finances and steady job creation should continue to drive consumer spending, a mainstay of the US economy. "In my professional career, the consumer has never been in better shape," he said during a subsequent Q&A.

"Broadly speaking, I would reject the suggestion that just because this expansion is in year 11, it's about to end." Central bankers in recent years have also been surprised by the persistent weakness of inflation, which has spent much of the past decade below the Fed's two percent target.



BANK ASIA

Mid Arfan Ali, president and managing director of Bank Asia, attends a rally on "March Towards Reaching The Unreached" organised by the bank as part of its month-long 20th anniversary celebration at Hatirjheel in Dhaka on January 10. Each employee of the bank donated a day's salary, totalling Tk 33 lakh, under a corporate social responsibility project of the bank titled "Manobotar Bondhon" to support survivors of cyclone "Bulbul".

Bangladesh must comply with ILO standards for GSP Plus

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This becomes even more important for Bangladesh as the country is under the scrutiny of the EU, the diplomat said.

So far, Bangladesh has responded very well to the EU's call on compliance, she said.

A high-powered delegation from the EU will visit Bangladesh in March. Bangladesh will have to change its business model with the EU because of the change of consumer behaviour in Europe, according to the EU diplomat.

While delivering the keynote

speech, Danilo Turk, a former president of Slovenia, suggested Bangladesh establish a warm relationship with the UK apart from the EU, so that the privileges are retained even after changes like Brexit and the LDC graduation.

Usually, the UK plays a vital role in mending the EU-Bangladesh relations in case of any problem because of their historic ties.

However, after Brexit the UK might not play the same role in the EU for Bangladesh.

So, Bangladesh needs to strengthen the relationship with the EU

Commission, Turk said.

"Textile and garment industries are not any permanent industries for any country. So, Bangladesh needs to diversify its export products," he added.

The Cosmos Foundation organised the symposium where diplomats from home and abroad, government high-ups, researchers and international relations experts also spoke.

Iftikhar Ahmed Chowdhury, principal research fellow at the Institute of South Asian Studies at the National University of Singapore, moderated the event.

Strengthen institutions for sustainable growth

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University Press Limited organised the event at the office of Unnayan Shamannay in Dhaka.

At first, it would seem that the book is a criticism of the economy, but the author has mainly shed light on the optimistic side of Bangladesh, Mahmud said.

In his book, Paul showed how the market economy along with the spirit of liberalisation have energised Bangladesh.

The writer also showed how reforms and apt investment strategies can make the country's development sustainable in the 21st century, he said.

Policies and institutions must be reformed to help the economy continue to grow, Paul said at the programme.

The central bank should be allowed to play its role properly and independently as well as introducing long-term and result-oriented policies.

Corrections should be brought on the fundamental areas to bring other institutions to the right path, he said.

Paul believes the Bangladesh Bureau of Statistics (BBS) is not allowed to work independently, because of which its data is not of international standard and does not match with the ones of different global organisations, like the World Bank and the International Monetary Fund.

Subsequently, he stressed the need for improving the quality of data of the state-owned statistics agency.

The finance ministry can at best give directions to the banking watchdog instead of monitoring its activities, as at the end of the day the central bank is an independent institution responsible for taking decisions on monetary issues, he said.

The single-digit bank interest rate that the government plans to introduce will not have any impact on the capital market as the stock investors are still suffering from confidence crisis, the author said.

However, Paul was optimistic about Bangladesh turning out to be a high-income country by 2041, if necessary reforms are brought to the institutions.

The government has started working on the areas where reforms are needed, said MA Mannan, planning minister. The minister also said the government has never intervened in the activities of BBS.

Sometimes low economic growth can also ensure sustainable growth if there is low inequality, said Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue. Overseas investment will not come if the institutions do not work properly, he said.

Shawkat Hossain Masum, special news editor of Prothom Alo, a Bangla daily, and Mahrukh Mohiuddin, managing director of UPL, also discussed different topics of the book.



MERCANTILE BANK

Morshed Alam, a lawmaker and chairman of Mercantile Bank, and Quamrul Islam Chowdhury, CEO, attend the bank's Strategic Business Conference-2020 at Radisson Blu Dhaka Water Garden yesterday.

Solar panel installation rising sans proper disposal policy

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Although currently produced PV panels will have a useful lifetime of almost 20 years, inevitable waste is created when the panels become obsolete, the paper said. Solar panels installed in Bangladesh have a maximum 25-year lifetime.

"As Bangladesh is a densely populated country, there won't be space for enough landfills for proper disposition of this huge amount of PV waste, and with the passage of the time these wastes may produce harmful effects on human and environment," the paper said.

PV cells contain certain amount of toxic substances that would truly become a problem for environmental safety. Besides, some solar panels contain rare earth materials such as gallium and indium.

Their loss through careless solar panel disposal could result in permanent deficiency of these substances in the future. Recycling help conserve the supplies of the finite resources, the paper said.

Growing PV panel waste presents a new environmental challenge, but also unprecedented opportunities to create value and pursue new economic avenues, the International Renewable Energy Agency (IRENA) and the International Energy Agency (IEA-PPVPS)

said in a publication in 2016.

These include recovery of raw material and the emergence of new solar PV end of life industries.

Sectors like PV recycling will be essential in the world's transition to a sustainable, economically viable and increasingly renewables-based energy future, it said. By 2050, the recoverable value could cumulatively exceed \$15 billion, the publication said.

From the available data, it is found that proper PV-waste management can unlock a large stock of raw materials and other valuable components.

"Proper management and recycling can at a time protect our environment from being polluted by PV waste. It will also support considerable economic value creation by adding financial support to our economy," the BUET paper said.

The US, the EU, Germany and the UK have policies on recycling of PVs.

In Bangladesh, the Department of Environment (DoE) has finalised a draft rule for proper management of electronic waste (e-waste). The rules are expected to be published soon.

The rules have not included the disposal issue of solar PV wastes, Mirza Shawkat Ali, director for climate change & international convention at the DoE, told The Daily Star earlier.

"We have this in our mind, but we

have not taken any step on recycling of solar panels," said Mahmood Malik, executive director and CEO of Infrastructure Development Company Ltd (IDCOL).

The state-run financial institution started providing support for SHS in 2003 and the programme reached its peak after 2010.

"As far I as know, we have discussed the issue on several occasions. But we have not found a solution to implement. We will examine what advanced countries have done and maybe we will follow that," Malik said.

"We have time in hand but we should take steps beforehand instead of at the last moment."

IDCOL, which has started recycling battery, is investing for recycling plant and is giving incentive to users so that they sell batteries to proper channel instead of selling them to stores, he added. The Sreda has prepared a draft guideline for disposal of solar panels, said Md Helal Uddin, chairman of the agency.

A number of items, including aluminium of obsolete solar panels could be reused and recycled, said Dipal Barua, president of the Bangladesh Solar and Renewable Energy Association.

The Sreda can frame a policy for disposal by involving all stakeholders, including the private sector, he added.

DSE MD's recruitment gamed, allege directors

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The other person in the running for the post was Shafiqul Alam, former managing director of Jamuna Bank.

If Hoq was not chosen, there would be problems for the DSE, said the director quoting the kingmaker.

This compelled six of the seven independent directors and one of the local shareholder-directors to go for Hoq at the board meeting on Thursday.

The Daily Star contacted the accused board member, who evaded from giving a comment. After hearing out the correspondent he pretended that his phone was acting up and he hung up. He did not answer his calls after this.

The correspondent texted him for comment and the message was read by him but he chose not to reply.

Since the post of MD has been vacant for six months, there were 12 votes to be had at the meeting. Besides, the MD has no voting right.

The Chinese strategic partner is a shareholder-director and he joined in via video call. The consortium's stance is to go for the majority and seeing that Hoq got seven in his favour, the Chinese representative chose to go with the former ICB MD too.

Three of the four local shareholder-directors of the DSE voted against Hoq as well as one of the independent directors.

In the end, Hoq's nomination prevailed and his name was forwarded to the stock market regulator for approval.

"This is not a case of majority because most of the shareholder-directors are not supporting the approval and they are the ones who are better informed of the dynamics of the market," said one of the aggrieved directors.

Besides, most of the independent directors are set to leave the DSE next month, he added.

The Daily Star contacted Abul Hashem, chairman of the DSE and an independent director, but he did not answer his phone.

Hoq was the MD of the ICB from 2017 to 2019. During his tenure, the company's profits plunged to a 12-year-low.

ICB incurred losses of Tk 134.30 crore in the first quarter of fiscal 2019-20, when it had not seen losses for at least the last 12 years.

"How can we expect steady leadership from an individual who turned ICB into a loss-making concern?" asked an independent director.

So, his recruitment in the DSE will dampen stock investors' confidence, he added.

Besides, an allegation was also submitted to the Anti-Corruption Commission against some of the officers of the ICB, including Hoq, for providing loans amounting to more than Tk 100 crore by breaching laws.

Hoq, who was previously the MD of Rajshahi Krishi Unnayan Bank and deputy MD of Agrani Bank, did not respond to calls and texts from The Daily Star yesterday.



PREMIER BANK

HBM Iqbal, chairman of Premier Bank, and M Reazul Karim, managing director, attend the bank's Annual Business Conference-2020 at Renaissance Dhaka Gulshan Hotel yesterday.

Pabna sugar mill saw no profit since inception

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He cultivated sugarcane on just five bighas or two acres of land this year and used the rest of his land to produce cauliflower. "We often did not get paid on time. If we faced any trouble in production such as a crisis of seed and fertiliser, the mill authority provided no support. So we incurred a huge amount of losses every year," he said.

Farmer Md Rafikul Islam of Dashuria pointed out that sugarcane cultivation occupied the lands for up to 12 to 16 months, whereas three harvests can be made if any other crop was farmed.

He also alleged that payments were delayed by as much as a year while the mill authorities accepted bribes to give priority when dues were cleared.

Md Sajahan Ali Badsha, secretary to Bangladesh Akh-Chashi Federation, a platform of sugarcane farmers, said

at least 1.5 lakh to 2 lakh tonnes of sugarcane used to be available in the areas surrounding the mill a decade ago.

Now it is no more 80,000 to 1 lakh tonne, he said, adding that farmers mostly opted for cultivating vegetables and other crops.

Acknowledging that payments had to be delayed as yearly government allocations did not reach them on time, the managing director said this time around they were trying to clear dues as soon as possible. "We are buying each maund (around 37 kilogrammes) of sugarcane for Tk 75 this year," he said.

On support, he claimed to have provided it to the best of his abilities. On the bribe allegation, he said there might have been some scattered incidents.

"Unfortunately sugarcane has not been sufficiently available in the last couple of years. Farmers went for

cultivating other crops to increase their profits," he added.

On calculating costs pertaining to infrastructure maintenance, workers' salaries etc, production cost of one kilogramme of sugar comes to stand at Tk 149 but it is being sold at Tk 50, he said explaining the piling up of losses.

Basically, the rule of thumb is that the production amount is inversely proportional to production cost.

He suggested product diversification for alternative sources of income, such as producing liquor and using bagasse or the fibre remaining after juice extraction from sugarcane as animal feed, to generate electricity and produce cardboard, acoustic tile, paper etc.

"The government has long kept on hold for many years a project on increasing production using by-products in five mills."