



Salman F Rahman, prime minister's private industry and investment adviser, along with the representatives of the International Finance Corporation and the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) launches a report styled 'Bangladesh's Journey to Middle-Income Status: The Role of the Private Sector' at the chamber's office in the capital's Gulshan yesterday. IFC and the MCCI jointly published the report.

Fed faces headache, taps epidemiologists in hunt for policy clues

REUTERS, Washington/San Francisco

The escalating coronavirus outbreak is giving the U.S. Federal Reserve a policy headache like never before: how to judge the potential impact on the economy in the absence of reliable data on how fast the flu-like illness is spreading across the United States.

The central bank slashed interest rates by half a percentage point a week ago in a pre-emptive bid to shield the U.S. economy from the fast-evolving global epidemic. But Fed Chair Jerome Powell also said it was too early to tell the impact it would have, with most of the data the Fed typically relies on being too backward-looking to be of use.

Instead, the Fed is turning to new methods to assess the likely spread and get a read on local responses as policymakers weigh what further action may be needed in the days and weeks ahead.

"I am talking extensively to epidemiologists and healthcare experts across the country...to try and interpret what we are seeing and what we are likely to see," Dallas Fed President Robert Kaplan said in Chicago last week.

For real-time impacts, the Richmond Fed has reached out to city and county executives "to understand what this might look like in our cities," research director Kartik Athreya told Reuters on Friday. Minneapolis Fed economists are monitoring credit card transactions while San Francisco Fed researchers are now tracking a daily measure of consumer sentiment published by



REUTERS/FILE

The Federal Reserve building is pictured in Washington.

Morning Consult.

These snapshots could quickly show whether the American consumer, the engine of U.S. growth, is pulling back. But assessing how long that could last relies on a good grasp of the outbreak's escalation.

The economic impact "is largely going to depend on how many people are going to be infected by this...how many people will be able to go to work, and how many hours they will be able to put into production," said Arizona State University's Bart Hobijn, who was a Fed economist during the financial crisis.

For Kaplan, the number of new cases will be a key indicator as he heads into the central bank's policy meeting on March 17-18, at which he and his fellow policymakers will have to provide their next set of

economic forecasts.

But an accurate reading remains elusive. The Trump administration has been criticized for its slow response and the short supply of test kits. The number of U.S. cases of coronavirus grew to 761 on Tuesday, including 27 deaths, with fast-growing concentrations in cities like Seattle, San Francisco and New York.

"Once you have a cluster in a certain city, there's a risk, in light of the facts here, that you might have many more undiagnosed cases than we are aware of and there is a risk that those undiagnosed cases will in turn infect other people," Kaplan noted.

About three-fourths of the 50 U.S. states have now reported infections. The slow pace of rolling out kits and testing capabilities means that policymakers will have

little concrete evidence about the extent of the U.S. outbreak ahead of next week's meeting.

"The amount of extra information that they'll have in the next few days, until these tests are widely available, is going to be minimal," said Mac Hyman, a professor of mathematics at Tulane University, who is an expert in epidemic modeling.

Only with more widespread testing to identify cases can experts more accurately track the disease's likely spread, he said.

Key to the length of the impact is also the extent to which people are made more aware of how they can become infected and provided with tools to prevent spreading the virus, from face masks to disposable gloves.

Global stock markets have tumbled as investors fret about the coronavirus causing a world recession, and roughly \$6 trillion of U.S. market value has been wiped out so far. Financial markets are predicting another big interest rate cut over the next week even though estimates on the hit to the U.S. economy vary widely.

A San Francisco Fed economist on Friday forecast U.S. GDP growth could dip to about 1.8 per cent this year, only a couple of tenths off policymakers' estimates before the outbreak took hold. But a Brookings Institution paper published last week estimated a pandemic could subtract as much as \$1.8 trillion from U.S. GDP this year, a far greater hit than the Great Recession.

Buy or sell? Investors navigate coronavirus data fog

REUTERS, London

For money managers, it's bad enough watching the coronavirus wipe trillions of dollars off world markets' value. Even worse is not knowing how bad the outbreak really is for the economy, company balance sheets, and in turn for their portfolios.

Having torn across borders to almost 100 countries in the space of a few weeks, the virus is leaving official data releases and corporate trading statements struggling to keep up. That means many fund managers and economists who typically use forecasts to guide investment decisions or strategy calls are disregarding them altogether.

In short, investors, a group that hates uncertainty, are groping their way through what is the worst stock market rout and growth scare in years.

Government and business efforts to contain the virus are expected to wreak the most economic damage; those responses are ongoing and asymmetric and subject to constant change as the virus threat shifts. All of this is making it much harder to forecast the hit to growth or profits.

Nor are central bankers' signals much use, given monetary firepower is more or less exhausted after a decade of deployment, said Paul O'Connor, head of multi-asset at Janus Henderson Investors, which runs \$370 billion.

"Economic data are not going to be much use at all. We face at least a month, some more weeks of weak economic data, downgrades to growth and downgrades to company earnings. Data won't tell me where the market may bottom," O'Connor said.

"Nor is there a clear circuit-breaker

where policymaking is concerned."

Instead, O'Connor is using market moves to gauge when to buy or sell — on Monday when the S&P 500 and Europe's STOXX index suffered their biggest daily falls since 2008, he stepped in to buy, reckoning sentiment was near bottom.

As for economic data, that's getting short shrift. February US payrolls, which last week showed robust job creation and unemployment near 50-year lows, were brushed off by a plunging Wall Street that — quite simply — saw the numbers as old news.

February Purchasing Managers Indexes (PMIs) — considered one of the few forward-looking economic indicators available — showed euro zone businesses growing at their fastest pace in six months; even compiler IHS Markit dubbed them "a false dawn".

Meanwhile, economic forecasts roll in — with caveats attached. Oxford Economics (OE) cut its 2020 global growth forecasts by a half percent on Monday, assuming a Chinese bounceback. But this hinged on "the extent to which households and firms are able and willing to go about their normal business", it added.

OE also noted that the plunge in the global composite PMI to 46.1 in February implied a world economy in recession. But it argued that past surveys had "often overstated the likely scale of global growth slowdowns after major one-off events".

The foggy outlook has sent many investors scurrying to seek investment banks' advice; Goldman Sachs said "a large volume of questions" from clients had led it to compile a set of alternative indicators for stricken markets.



VISIONSPRING

Saber Hossain Chowdhury, chairman of the standing committee on the environment, forest and climate change ministry; Jordan Kassalow, founder of VisionSpring; Ella Gudwin, CEO; and Reade Fahs, chairman, pose at an event at Renaissance Dhaka Gulshan Hotel in Dhaka on Tuesday, where the USAID has partnered with VisionSpring to provide affordable spectacles to garment workers.



CONCORD GROUP

Shahriar Kamal, managing director of Concord Group; Md Anwarul Haque, a director; Md Habibur Rahman, head of the department of civil engineering at Bangladesh University of Engineering and Technology; and Raquib Ahsan, director of the BUET-Japan Institute of Disaster Prevention and Urban Safety; attend a deal signing ceremony on the campus in Dhaka for long-term research and academic collaboration.



GUARDIAN LIFE INSURANCE

MM Monirul Alam, CEO of Guardian Life Insurance, poses at its annual sales conference for 2020 at Hotel Sea Palace in Cox's Bazar recently.

BoE slashes interest rate to 0.25pc over coronavirus

AFP, London

The Bank of England on Wednesday slashed its main interest rate to 0.25 per cent in an emergency move to combat the fallout from the coronavirus outbreak on the UK economy.

In a statement, the BoE said that at a meeting Tuesday, "the Monetary Policy Committee voted unanimously to reduce Bank Rate by 50 basis points to 0.25 per cent."

The reduction from 0.75 per cent heads a "package of measures to help UK businesses and households bridge across the economic disruption that is likely to be associated with COVID-19", the central bank added.

The BoE's biggest rate cut since the global financial crisis more than a decade ago comes ahead of the UK government's first annual budget since Brexit, due at 1230 GMT, and which itself is set to be dominated by action over the coronavirus.

"Although the magnitude of the economic shock from COVID-19 is highly uncertain, activity is likely to weaken materially in the United Kingdom over the coming months,"

the BoE said in its statement.

"Temporary, but significant, disruptions to supply chains and weaker activity could challenge cash flows and increase demand for short-term credit from households and for working capital from companies.

"Such issues are likely to be most acute for smaller businesses. This economic shock will affect both demand and supply in the economy," the bank warned.

BoE policymakers, led by outgoing governor Mark Carney, also voted to allow retail banks in Britain provide cheap lending to businesses, aided by central bank reserves.

Andrew Bailey, head of Britain's financial regulator, replaces Carney as governor of the Bank of England on March 16.

Sterling meanwhile fell sharply on the surprise BoE announcement, before quickly recovering some ground, notably against the dollar.

Finance minister Rishi Sunak presents the budget in parliament later Wednesday, after his predecessor Sajid Javid resigned unexpectedly last month.

It will be the country's first annual budget statement since Britain departed the European Union on January 31.

"We're looking at what the impact (of the virus) might be, whether it's on businesses... on our public services, and in all cases, on Wednesday, you will hear from me the various options and policies that we can put in place to provide that vital support," Chancellor of the Exchequer Sunak said at the weekend.

Sunak, 39, said he was ready to give the state-run National Health Service whatever it needed to help combat the coronavirus outbreak.

On Tuesday, it was revealed that a minister in the health department, Nadine Dorries, had tested positive for COVID-19.

Sunak meanwhile has said that the budget would deliver also on the promises made by Prime Minister Boris Johnson in the run-up to the December general election.

Cathay Pacific 2019 profits plunge, predicts virus losses

AFP, Hong Kong

Cathay Pacific on Wednesday said profits plunged in 2019 as it reeled from political unrest in Hong Kong, while it warned financial losses lay ahead owing to the spread of the new coronavirus.

The flagship carrier was battered throughout the second half of last year as violent pro-democracy protests raged for months in Hong Kong, sparked by widespread public anger at Beijing's rule. The demonstrations, which saw battles between police and protesters rage for seven straight months, hammered tourist arrivals into the city, traditionally one of the world's busiest transport hubs.

On Wednesday the flagship carrier reported an attributable profit of HK\$1.7 billion (US\$220 million) for 2019, a significant drop from the HK\$2.3 billion it made in 2018.

And it warned of slipping into the red as airlines around the world suffer the huge travel disruptions caused by the rapid global spread of the deadly coronavirus.

"We expect to incur a substantial loss for the first half of 2020,"

chairman Patrick Healy said. "We expect our passenger business to be under severe pressure this year and that our cargo business will continue to face headwinds," he added.

The last time the airline made a loss was in the first half of 2018.

It then embarked on a major overhaul that brought the carrier back into the black but Cathay has found itself hammered by events beyond its control. Hong Kong's political unrest put Cathay squarely in the crosshairs of Beijing last summer after some of its 27,000 employees in the city expressed sympathy for the pro-democracy movement.

Nationalists on the mainland agitated for a boycott while Chinese aviation authorities placed a host of onerous extra checks on the airline. Cathay responded with the departure of its CEO and chairman as well as measures to punish staff that joined or voiced support for the protests, leading to an easing of regulations on the mainland.

Protests began winding down in December and January but before Cathay could recover, the deadly coronavirus emerged in the Chinese

city of Wuhan and has since spread around the world. International flight routes have been hammered with Cathay especially vulnerable because so much of its business relies on the Chinese mainland and connecting Asia to the rest of the world.

It has since slashed its capacity to mainland China by 90 per cent and is flying 40 percent fewer routes globally. Last month the airline announced it was asking all its 34,000 staff worldwide to take up to three weeks of unpaid leave in a bid to alleviate a major cash shortage. Dozens of passenger jets are now parked on the tarmac at Hong Kong's airport, Cathay's transportation headquarters.

The profit results came as the airline separately confirmed a crew member had tested preliminary positive for the new coronavirus. The employee had last flown on a flight from Madrid to Hong Kong on March 7.

The plane has since been deep cleaned and fellow crew members are quarantining at home, Cathay said. Hong Kong's economy is currently in recession, battered by the China-US trade war, the protests and now the coronavirus.