Clean stoves reduce indoor air pollution

Harvard teacher presents study findings in Dhaka

STAR BUSINESS REPORT

IMPROVED cooking facilities can help improve public health in rural areas of developing countries, according to a study by economists Rema Hanna, Esther Duflo and Michael Greenstone.

"It is conventional wisdom that 'clean cooking stoves' reduce exposure to indoor air pollution, decrease greenhouse gas emissions and improve health outcomes," said Hanna, an associate professor at Harvard University.

At a seminar yesterday, Hanna presented the paper, "Up in Smoke: The Influence of Household Behaviour on the Long-Run Impacts of Improved Cooking Stoves", which she co-wrote with Duflo and Greenstone.

The traditional cooking appliance in the rural areas of most developing countries are made of mud, and use wood, coal or dung as fuel.

Rema Hanna

These stoves are harmful for the health of women, who do the cooking, as the fire releases particulate matter which causes pneumonia, lung cancer and heart disease, among many other maladies.

The World Health Organisation estimates that indoor air pollution, generated by these stoves, kills 2 million people every year, about as many as malaria and tuberculosis combined.

However, their study conducted on few thousands villagers of Orissa, one of the poorest villages in India, found that 'clean cooking stoves' that direct fumes out of the house through chimneys, led to better health conditions.

The research team tracked households for up to four years after they received the stove, which also requires less fuel, and found significant reduction in smoke inhalation.

One of the much talked-about public-health issues is reducing indoor air pollutions in the rural areas, and the study pointed towards replacing traditional cooking stoves with the 'clean cooking stoves'.

But the fact that the improved clean cooking stove costs more than the traditional stove, around $12 for each installation, deters households from switching.

The seminar was part of the two-day conference, co-organised by International Growth Centre and Economic Research Group, at the Pan Pacific Sonargaon Hotel in Dhaka.

Indonesia overtakes India, most bullish consumer

Global information company Nielsen releases survey findings

REUTERS, *London*

Global consumer confidence dipped in the second quarter from the previous three months, according to a survey published on Monday which also showed that Indonesians have overtaken Indians as the most upbeat consumers.

Consumer confidence fell across major emerging economies China, India and Brazil in the second quarter, according to the survey by global information company Nielsen.

A worsening euro zone crisis, sluggish US jobs growth and slowing growth in China and India combined to dent consumer confidence globally in the second quarter with concern over the economic outlook and job security the biggest concerns.

Fifty-three percent of global respondents were optimistic about their personal finances, but that was down 2 percentage points from the first quarter. Asia-Pacific respondents reported the biggest decline in favourable financial perceptions, declining four points to 59 percent.

The Nielsen Global Consumer Confidence Index dipped 3 points in the second quarter to 91. A reading below 100 signals consumers are pessimistic about the outlook.

There was however no increase in the number of consumers who said they were in recession, which stayed at 57 percent.

The survey was conducted between May 4 and 21 and covered more than 28,000 consumers polled on the Internet across 56 markets.

New loan rules to curb wilful defaulters: BB

REJAUL KARIM BYRON

THE new loan classification and provisioning rules of the Bangladesh Bank may give rise to default loans in the short-term, but will ultimately reduce the number of wilful defaulters and benefit both banks and borrowers, according to a BB study.

The central bank in the study said, if the rules are followed strictly, the amount of default loans as well as the banks' insolvency will fall in the long run.

The study found that the amount of default loans may increase by only 2.38 percent over the existing amount under the new rules.

On March 31, the total default loans in the banking sector stood at 6.57 percent of their outstanding loans. The percentage could be 8.95 percent on the same day if the amount was calculated under the new rules, the BB found in the study.

The central bank presented the study report to the heads of credit departments of all banks yesterday.

The BB also organised a workshop at its head office where its Deputy General Manager Anwarul Islam showed the study results through a presentation.

BB Deputy Governor SK Sur Chowdhury at the workshop said some influential borrowers have repeatedly got their huge amount of default loans rescheduled.

The workshop was organised to remove misunderstandings created among the bankers regarding the new decision.

the new policy does not provide scope for rescheduling loans for more than three times, new entrepreneurs will get more access to loans and the banks will also overcome their liquidity crisis, Chowdhury said.

Islam said the new rules were issued to ensure accurate asset valuation in financial reporting and maintain the appropriate asset quality of banks in the changing global economic environment.

According to the changes in rules the central bank brought in June, if a loan remains in default for three months, it would be classified as substandard.

It means the borrower will not face any difficulty in getting new loans but the bank will have to keep 20 percent provisioning of the sub-standard loan.

Also, in line with the new rules, no loan can be rescheduled for more than three times.

After a new circular was issued in this regard, both business community and banks have requested the central bank to reconsider the decision.

However, BB officials said the impact of the new decision would be minimal.

According to Islam, the new decision will ensure better recognition of losses at banks, proper calculation of their income, and avoidance of overstatement of capital.

He also said the new rules will increase the banks' resilience, ensure better management efficiency, and bring transparency in financial reporting and discipline in the industry.

Islam said good borrowers will not face any adverse impact; instead, credit flow will increase to new entrepreneurs and productive sectors.

The number of habitual defaulters will fall and depositors' interest will be better protected, he said.

Investment banks' Asian love affair cools rapidly

WEI GU AND ROB COX

AFTER the financial crisis, the investment banking mantra became "Shanghai, Mumbai, Dubai or goodbye." While the rest of the world was falling apart, the countries stretching from Saudi Arabia to India, Southeast Asia and China were growing, and could pick up some slack. Or so the thinking went. But the swingeing decline in the Asian equities business -- the most expensive pillar of Wall Street's expansion -- suggests this was a fallacy. A retreat now looks inevitable.

Stockbrokers have flocked to Asia since 2008. Aside from the big Wall Street firms like Goldman Sachs and JPMorgan and European universal banks like Credit Suisse and UBS, a number of secondary players have bulked up, from US broker Jefferies, the UK's Barclays, Australia's Macquarie, Japan's Nomura, and China's ICBC.

It's easy to see what attracted them. Commissions for trading shares were higher in Asia than elsewhere, mainly due to the scarcity of efficient electronic trading platforms. Competition was still thin, particularly in equity derivatives and prime brokerage. Robust local savings rates and strong growth spurred hope for higher trading volumes and fund raisings alike.

Oops. The value of share trading in the Asia Pacific region fell 22 percent in the first half of 2012, outpacing declines not only in the Americas, but even in the basket case of Europe. Meantime, commissions have been squeezed, falling by as much as 30 percent alone in the past two years in some markets as new entrants have tried to rapidly build market share.

Sales of new shares -- usually a venture between equities and corporate finance departments -- have also taken a hit. Equity proceeds in Asia Pacific (ex-Australia) dropped by 31 percent so far this year to $11.3 billion, according to Thomson Reuters. That's double the rate of decline in the United States. Moreover, an increasing number of banks are scrounging at that shrinking pie. PICC's proposed $3 billion Hong Kong IPO later this year will have a whopping 17 underwriters.

Add it all up, and instead of being a profit engine, the pan-Asian equities business has become a drag. To offer a full complement of cash, derivatives and prime brokerage services across the region -- including share trading, research and compliance -- can cost some $800 million a year, according to one executive. Only one or two firms have revenue of that scale.

The pain is starting to show. Macquarie Group's income from Asia fell 35 percent in the year ended March, compared with a 19 percent decline in Europe and 8 percent decrease in the Americas. Jefferies highlighted the costs of its Asian expansion in its most recent quarterly report, when earnings fell 21 percent from the year before.

The retreat has already started. Samsung Securities shut operations in the region outside Korea a few months ago. Royal Bank of Scotland is selling most of its Asian equities division to Malaysia's CIMB Group. Credit Agricole is in talks to offload its stake in CLSA. Investors focused on troubles in Europe as global banks report their earnings this week may want to ask what plans they have for their Asian operations.

The authors are Reuters Breakingviews columnists.

Risks to global growth rising: IMF

AFP, *Washington*

THE International Monetary Fund stepped up its warnings Monday on risks to the global economy, especially coming from Europe, as it trimmed its growth forecast for the rest of the year.

The IMF said the world economy appeared weaker since its assessment just three months ago, and while growth was only slightly off the expected pace, "downside risks continue to loom large," especially from inadequate or slow policy reactions in major economies.

"In the past three months, the global recovery, which was not strong to start with, has shown signs of further weakness," the fund said in its quarterly revision of economic forecasts.

"Financial market and sovereign stress in the euro-area periphery have ratcheted up," it said, while growth has fallen below expectations in a number of major emerging-market economies.

It pointed to renewed deterioration in the markets for European sovereign debt as a sign that eurozone leaders need to move fast on pledged reforms.

The IMF also singled out the overhanging risk from US political stasis that could send the country over a "fiscal cliff" due to laws that, if not changed, will force massive government spending cuts coupled with automatic tax hikes on January 1 that would severely crunch the world's largest economy.

"Avoiding the fiscal cliff, promptly raising the debt ceiling, and developing a medium-term fiscal plan are of the essence," the global crisis lender said in recommendations for the United States.

After forecasting in April that the global economy would expand by

3.5 percent this year, the IMF said it had cut 0.1 percent off the forecast, but that the number remained at 3.5 percent because of rounding.

For 2013, the forecast is 3.9 percent, down from 4.1 percent.

The change in the worldwide outlook mainly came from sharp cuts to growth forecasts for the large emerging economies like China, India, Brazil and newly industrialized Asia.

But in addition the IMF saw slower-than-expected growth in the United States, Britain and France, among the major industrialized nations. The US forecast dropped 0.1 point to 2.0 percent; France was down 0.1 to 0.3 percent; and Britain was projected to grow at just 0.2 percent, compared with 0.8 percent forecast three months ago.

The bank also said Spain's recession would persist through 2013, after having forecast in April that the country's economy would return to growth next year.

On the bright side, forecasts for this year for Germany and Japan were revised higher -- to 1.0 percent and 2.4 percent, respectively, though the 2013 prediction for each was also trimmed slightly.

Also getting an upgrade was the Middle East and North Africa region, much of which has been struggling through deep political turmoil in the past two years. The IMF said the region would grow about 5.5 percent this year, much better than the 4.2 percent predicted in April.

The IMF said that major economies were making progress on cutting their fiscal deficit burdens, but that doing so remained hampered by more volatility and risk aversion in debt markets, which have sent the borrowing costs of the troubled eurozone periphery countries skyrocketing.

The global lender reiterated its prescriptions of recent months: short-term fiscal balance targets for troubled economies like Spain and Italy can be de-emphasized to allow for growth while more focus is placed on medium-term adjustments and reforms.

"A steady pace of adjustment focused on the measures to be implemented rather than on headline deficit targets is preferable, especially in light of heightened downside risks to the outlook."

Moreover, the IMF suggested, the political stress of too much austerity -- set to meet fiscal targets -- could backfire in countries with IMF or IMF-linked bailout programs, like Ireland, Portugal and Spain.

"The recent deterioration in the political and economic climate in Greece serves as a warning about the potential onset of 'adjustment fatigue,' which remains a threat to continued program implementation."