Rate debate: top central bankers to speak in Jackson Hole

AFP, *Washington*

Slow growth, low interest rates and tepid inflation on both sides of the Atlantic will be in focus this week when heads of the US and European central banks meet in Jackson Hole, Wyoming.

Officially the topic of this year's US central banker fest -- always a cerebral gathering of monetary and financial policy experts -- will be "Re-Evaluating Labor Market Dynamics," a salient topic as job growth also remains weak across leading economies.

But eyes will focus on Janet Yellen, the Federal Reserve chair, and Mario Draghi, her counterpart at the European Central Bank, with observers looking and listening for signs of what they plan for interest rates.

Janet Yellen

The August 21-23 symposium in the picturesque Rocky Mountain resort town has made news before.

In 2012, Yellen's predecessor, Ben Bernanke, used the venue to signal the Fed's plans for a new round of quantitative easing (QE), a boost for the economy that continues to this day, despite critics who at the time said it was bad policy.

Both Yellen and Draghi are slated to speak on Friday. While they both face weaker-than-expected economic growth, the decisions they face are different.

Yellen is under pressure from inflation hawks to begin raising interest rates soon after the QE stimulus is wound up in October.

Including Philadelphia Fed chief Charles Plosser, a lone dissenter on the policy-making Federal Open Market Committee, they say the Fed needs to be out in front of inflation, rather than waiting for it to act.

Under Yellen's lead, though, most FOMC policymakers are sticking to a timeline that sees the first Fed funds rate rise off the zero level coming only in the second half of 2015.

They mostly agree that unemployment remains too high, and the jobs market shows too much slack, to increase interest rates.

They don't see any significant upward pressure on inflation: the Fed's favored inflation guide, the personal consumption expenditures price index, is rising at a 1.6 percent annual pace, well below the 2 percent level at which the Fed says it would weigh tightening.

US unemployment, at 6.2 percent, remains elevated, and despite a pickup in job creation, data for July shows that real average weekly earnings, those measured against inflation, rose just 0.3 percent in the past year.

Generally, the market is looking then for a signal of what would make Yellen change her mind and move more quickly, such as how fast wages need to grow to spark inflation worries.

"Right now, we have no idea what her thinking is," said Joel Naroff of Naroff Economic Advisors.

"She needs to give us a clue of a timeline of wage pressures, how long they take to translate into the economy."

Draghi on the other hand is facing pressure to embark on more extraordinary measures to stimulate the eurozone economy, in the face of slowing inflation -- just 0.4 percent in July -- and a dead stall in the region's growth in the second quarter.

The ECB launched in June a group of measures to help the economy, including lowering its benchmark interest rate to an all-time low of 0.15 percent, and setting a negative rate for deposits from banks.

In July's policy review, Draghi held policy steady. But fresh pressures on the economy from the Ukraine crisis, including Russia's sinking toward recession and its ban on food imports from Europe and the United States, are again forcing his hand.

Indeed, on Monday Germany's Bundesbank gave a cloudy forecast for the rest of 2014.

"A flurry of unfavourable news reports relating to the international environment have dampened Germany's economic outlook in the second half of the year," it said.

Advocates for more ECB stimulus want to see a Fed-like quantitative easing programme, the central bank buying up large amounts of bonds to inject more cash into the financial system and hold long-term interest rates down.

ROBI

Supun Weerasinghe, chief executive of Robi, and Shibli Rubayat Ul Islam, dean of the business studies faculty of Dhaka University, pose with the members of the winning team of a business case competition, at Robi Career Carnival organised by Robi in Dhaka University in the capital on Tuesday.

IFC launches $2.5b bonds for India projects

REUTERS, *New Delhi*

The World Bank's private-sector financing arm on Wednesday launched $2.5 billion, rupee-denominated, bonds in the Indian market to fund infrastructure projects, after raising $1 billion in offshore bonds for the sector last year.

The International Finance Corporation's (IFC's) bond programme comes at a time when both the Indian government and the Reserve Bank of India are stepping up measures to attract global investors to deepen the local bond market.

"Bonds offered under IFC's rupee financing programme offer a safe investment alternative for domestic pension funds and other investors, while mobilising capital to address India's infrastructure needs," said Jin-Yong Cai, IFC Executive Vice President and CEO, in a statement.

Under the programme, IFC will use a combination of rupee-denominated bonds and swaps to raise local-currency financing of up to $2.5 billion, or 150 billion rupees, over the next five years.

IFC's mandate includes the development of local capital markets across the world, and the multilateral body remains committed to play a role in India's onshore market.

Last year, IFC issued a $1 billion offshore global rupee-linked bond, to fund infrastructure projects, that attracted a broad range of international investors.

"Issuance of onshore bonds by IFC in the Indian bond market, with offer of longer-tenor bonds, will deepen the bond market," Finance Secretary Arvind Mayaram said.

IFC invested $1.2 billion in India during the 2013/14 fiscal year that ended in March.

As of end June 2014, the IFC's India portfolio contained 239 projects, amounting to committed and disbursed exposure of $5.3 billion.

CANADIAN HIGH COMMISSION

***From right*, Anjan Chowdhury, president of Bangladesh Agro-Processors' Association; Mahbubur Rahman, president of ICCB; Tofail Ahmed, commerce minister; Heather Cruden, Canadian high commissioner; Md Rafiqul Hoque, vice-chancellor of Bangladesh Agricultural University; and Elaine Sopiwnyk, director of Canadian International Grains Institute, attend a seminar on innovation and agriculture, organised by the Canadian High Commission at Lakeshore Hotel in Dhaka yesterday.**

Australia says Bitcoin not taxable as currency

AFP, *Sydney*

Crypto-currencies such as Bitcoin should not be considered as money or a foreign currency when it comes to taxation, Australia's tax authority ruled Wednesday.

In guidance designed to help people finalise their tax returns, the Australian Tax Office said Bitcoins were a form of property, disappointing those hoping they would be seen as a currency. The decision follows a similar move by the US Inland Revenue Service in March.

"Transacting with Bitcoins is akin to a barter arrangement," the Australian Tax Office said in its guidance.

"The ATO's view is that Bitcoin is neither money nor a foreign currency, and the supply of Bitcoin is not a financial supply for goods and services tax purposes. Bitcoin is, however, an asset for capital gains tax purposes."

The move disappointed the Australian digital currency industry, which said treating the supply of Bitcoins the same way as the exchange of a commodity meant they would be subject to a 10 percent Goods and Services Tax (GST).

BANGLALION

Md Shafiqul Islam, chief operating officer of Banglalion, and Shixiaojie (Colin), chief technical officer of Huawei, attend the signing of an agreement for Huawei to assist Banglalion in upgrading its LTE-4G network, at a programme recently.

McDonald's to launch retail coffee line in early 2015

AFP, *New York*

McDonald's Tuesday became the latest food giant to enter the retail coffee market, announcing plans to market a variety of coffee products under its McCafe brand.

Partnering with food giant Kraft, the fast-food chain will market ground coffee, whole bean and single-cup products at supermarkets and other stores for home brewing. The products will be launched in early 2015, McDonald's and Kraft said.

Greg Watson, senior vice president for US menu innovation at McDonald's, said the home availability of the McCafe line is "natural next step" since McDonald's built up the brand in its restaurants.

"In a competitive category that is growing rapidly and changing every day, this new partnership with McDonald's represents a whole new era in the world of at-home premium coffee," said Nina Barton, vice president for coffee at Kraft.

McDonald's joins an increasingly crowded coffee market, battling against Dunkin Donuts, Starbucks and others.

The launch comes as the fast- food giant struggles with lagging sales that have depressed earnings. In the most recent quarter, comparable sales dropped 1.5 percent in the US and 1.0 percent in Europe, partially offset by a 1.1 percent increase in Asia/Pacific, Middle East and Africa.

PRIME BANK

Md Ehsan Khasru, managing director of Prime Bank, and Kh Md Sanaul Haque, chief executive of MJL Bangladesh, attend the signing of an agreement yesterday. MJL Bangladesh gave 20,000 discount coupons worth Tk 60 lakh to distribute among the valued clients and employees of the bank.

Volvo Car reports return to profit on China sales

AFP, *Stockholm*

Chinese-owned Volvo Car Group announced a return to profits on Wednesday in an upbeat half-yearly report that cited "solid" demand for the Swedish brand particularly in China.

The Gothenburg-based manufacturer bucked dismal sales trends in the global auto industry with a 15-percent hike in turnover to 64.78 billion kronor ($9.39 billion, 7.06 billion euros).

Net profits was 535 million kronor in the first six months of the year compared to a 778 million kronor loss for the same period in 2013.

Sales in vehicle terms grew by 9.5 percent year on year to 229,013 units, compared to 209,117 for the same period in the previous year.

"This first half result is both solid and encouraging," chief executive Haakan Samuelsson said in a statement.

The group doubled its previous sales outlook for the year to 10 percent, partly due to strong demand from China where sales grew by 34.4 percent.

China fines Japanese auto parts firms $200m for monopoly

AFP, *Shanghai*

China has fined 10 Japanese auto parts firms more than $200 million in total for price-fixing, authorities said Wednesday, reportedly the biggest-ever such penalties, in the latest step of the country's anti-monopoly drive.

Beijing has over the past year launched a wide-ranging crackdown on alleged malpractice by foreign firms across diverse sectors, including pharmaceuticals, baby formula and technology, raising fears overseas companies are being targeted.

The auto parts companies were found to have implemented monopoly pricing agreements for more than 10 years, the National Development and Reform Commission (NDRC) regulator said in a statement.

It fined them a total of 1.24 billion yuan ($201 million), in what state broadcaster CCTV said was the biggest fine China had imposed since its anti-monopoly law took effect in 2008.

"The companies... unlawfully affected prices of auto parts, finished vehicles and bearings in China and harmed the interests of downstream manufacturers and consumers," the NDRC statement said.

Sumitomo Electric was fined the most -- 290.4 million yuan -- of the seven car parts firms penalised for fixing auto parts prices between January 2000 and February 2010, according to the statement, the others being Denso, Aisan, Mitsubishi Electric, Mitsuba, Yazaki and Furukawa Electric.

NSK, JTEKT and NTN were fined for price collusion over bearings between 2000 and June 2011, the NDRC added, with NSK ordered to pay 174.9 million yuan.

Two other companies, Hitachi Auto Parts and Nachi, which makes roller bearings, were found culpable but exempted from the penalties for taking the initiative to inform authorities and providing evidence on the monopoly agreements.

The NDRC, one of several Chinese government bodies that investigates monopoly actions, said in early August it was probing auto firms including Audi and Chrysler as well as the 12 Japanese companies for possible violations.

It is the latest in a series of inquiries in various fields which have raised investor concerns about the business climate in China.

State media have reported that more than 1,000 companies in the country's auto sector, both domestic and foreign, are currently involved in anti-monopoly probes by the government.

In late July authorities raided offices of Microsoft and investigated the US software giant for allegedly operating a monopoly in the Chinese market.

State media have also said China is planning to announce that US chip maker Qualcomm has monopoly status in the mobile phone chip industry.

Police in May accused a top executive of British drugmaker GlaxoSmithKline of ordering employees to commit bribery in China, and handed the case over to prosecutors after a nearly one-year probe.

Last year the government fined six baby formula producers -- all but one of them foreign -- a total of $108 million for price-fixing.

Chinese officials have denied that overseas firms are being targeted in the investigations, but foreign direct investment (FDI) into the country fell to a two-year low last month.

Five of the Japanese auto companies -- Mitsubishi, Denso, Sumitomo, NSK and JTEKT -- issued statements confirming the penalties and pledging compliance with Chinese law and regulations.

Mitsubishi Electric said it "takes this matter very seriously" and "will comply with the order".

Denso said it was its policy "to comply with all applicable antimonopoly laws".

Both NSK and JTEKT said they took the situation with "utmost seriousness" while Sumitomo said its "highest priority" was to comply with competition laws.