Audit push challenges Federal Reserve's independence

AFP, Washington

After unemployment and deflation, Federal Reserve chair Janet Yellen finds herself in her toughest battle yet, fighting a push by Congress to assert itself over monetary policy.

Newly in control of both houses on Capitol Hill, Republicans accuse the Fed of misguided policies and political bias, saying the world's most powerful central bank is too autonomous and unaccountable.

In January, they submitted "Audit the Fed" legislation that could give lawmakers power over setting interest rates and how banks are policed.

The Fed calls it a blatant move to politicize its work. But it is clearly worried that the law might pass, impinging on its vaunted independence. Yellen got a taste this week of what's to come when legislators accused her of going way beyond the Fed's mandate and of actively supporting the Democratic Party's policies.

"The Fed already has been completely immersed and guided by partisan politics," said Congressman Scott Garrett.

"You're sticking your nose in places that you have no business to be... You are favoring capital over labor and you are favoring Wall Street over the folks back home," blasted his colleague Sean Duffy.

The new legislation would change a 1978 law that gave the Government Accountability Office the power to audit various activities of the Fed. That law very explicitly kept the GAO away from the conduct of monetary policy.

"Audit the Fed" removes that exception, and would allow any legislator to demand the GAO examine ongoing monetary policy activities.

Leading the effort is Senator Rand Paul, the son of libertarian former congressman Ron Paul who advocated abolishing the central bank altogether.

Rand Paul says he wants the Fed's balance sheet audited, alleging that it is hiding massive liabilities that put the US financial system at risk.

The Fed counters that its balance sheet is already fully public and certified by outside accountants.

"The Federal Reserve is extensively audited," Yellen said at her semi-annual policy presentation to Congress this week, also required since 1978.

"Audit", she said, "is a bill that would politicise monetary policy."

Yellen has spent most of her just-completed first year as Fed chair preparing for a return to a "normal" monetary policy, which is proving to be a rocky process after six years of flooding the markets with easy money to recover from the 2008-09 crisis.

While markets have generally appreciated her efforts and the economy has picked up pace, Republicans say the Fed has a lot of bad policy to answer for.

One legislator this week said Yellen's predecessor Ben Bernanke moved the Fed into extreme money-printing mode during the crisis because "he was trying to seek political favor for his reappointment as chair."

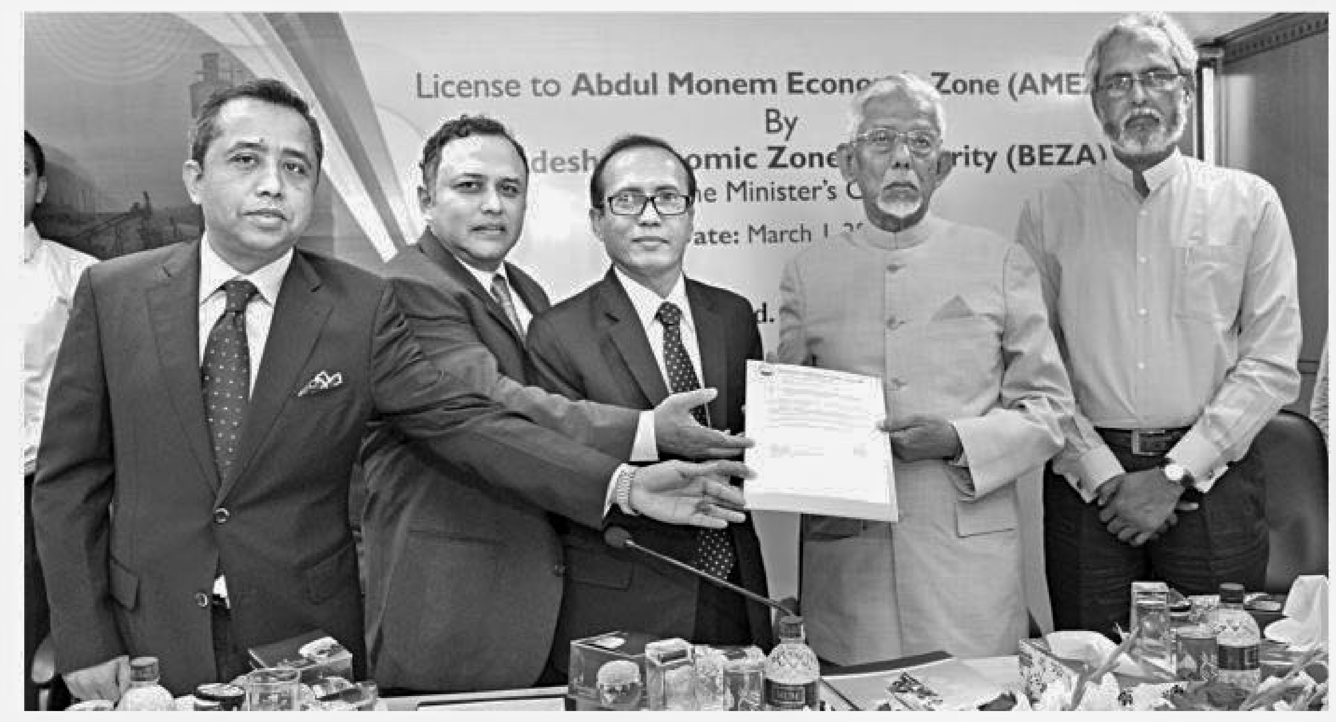
Another called Yellen's public discussion of income inequality a conscious effort to support Democrats ahead of the last election. "I hear you taking a Democrat line," he said.

Yellen bristled at the accusations. "I am not making political statements. I am discussing a significant problem that faces America."

Alex Pollock, a former banker and now a fellow at the conservative American Enterprise Institute, said the campaign is not really about auditing the Fed's accounts.

"It's about 'Who is the boss here?'" he told AFP. "It's an audit of the actions, the dubious theories, and the systemic risk-creating actions of the Fed."

He admitted that nothing is clear about the parameters of what Congress could do if the "Audit" law is passed. But he argued that nothing is wrong with raising Congressional oversight over an agency that is essentially policed by itself.



ABDUL MONEM

Abdul Monem, managing director of Abdul Monem Ltd, receives the pre-qualification licence to develop a 216-acre economic zone in Munshiganj's Gazaria, from an official of Bangladesh Economic Zones Authority, at a programme in Dhaka yesterday.

BGIC launches health, crop insurance

STAR BUSINESS DESK

Bangladesh General Insurance Company or BGIC has launched two new products -- Mass Health Insurance and Weather Index Crop Insurance.

The products are both IRDA-approved and CRC-recommended, the company said in a statement yesterday.

Mass Health Insurance will benefit people through minimising costs of health risk, and Weather Index Crop Insurance will help alleviate poverty of farmers caused by natural disasters, by strengthening their financial capacity, BGIC said.

The products were designed to align with the long-term economic planning and development policies of the government, it added.

EBL

M Nazeem A Choudhury, head of Eastern Bank's consumer banking, and Md Sayedul Islam Bhuiyan, head of Grand Sultan Tea Resort and Golf's sales and marketing, sign an agreement to provide the bank's Priority, Signature and Platinum cardholders up to 55 percent discount on rooms and other benefits at the resort.

Ireland looks forward to dairy boom once EU quotas go

AFP, Dublin

Four weeks from the lifting of European Union milk quotas, Ireland is looking forward to a radical shake-up of its farming sector that would boost dairy output by 50 percent over the next five years.

Exporters are aiming to expand sales of Irish milk and cheese in a boom that would make Ireland the fastest-growing dairy producer in the world.

"Good riddance is what I'll say about the quotas," said Mike Magan, a dairy farmer in County Longford in central Ireland.

"They've held back the natural ability of farmers to grow for three decades, so I'm glad they're going."

The quotas, which end on March 31, were introduced in 1984 to prevent over-production, and Irish agriculture minister Simon Coveney told AFP their abolition was "the most fundamental change to Irish agriculture in a generation".

"For the first time, Ireland will be able to fulfil its potential in terms of producing milk at a volume that makes sense for us," he said.

According to research by Teagasc, a state-backed research body, 60 percent of dairy farmers plan to expand production in the next two years.

Over 80 percent of Irish dairy product is currently exported, and the additional output is likely to be targeted at developing markets outside the EU.

Ireland currently produces 5.4 billion litres of milk, so even if it hits its targets for 2020 it will remain a relatively small global player compared with India, China or the United States.

In Europe, France and Germany also have annual production in the tens of billions of litres.

"In a global sense, we're a small player by volume, but we can be a very significant player in terms of supplying premium high-end markets," Coveney said.

"We will be the fastest-growing dairy producer in the world probably in the next decade in terms of a percentage increase in volume year-on-year," he added.

Processors in Ireland, which buy the vast majority of milk from farmers, are also gearing up for the post-quota environment.

Glanbia Ingredients Ireland (GIL), which processes some 30 percent of all Irish milk, has invested over 235 million euros ($267 million).

A new plant, largely for dry milk powder, will be opened this week with the company expecting it to support 1,600 jobs, a welcome boost in a country where unemployment remains over 10 percent.

The company exports to 50 countries largely in the form of butter, cheese, whey protein and infant formula.

Jim Bergin, chief executive of GIL, said quotas have hindered the potential for natural organic growth. "This brings a huge opportunity from a growth perspective. Asia will be a growing market for us but also the Middle East," he told AFP.

Ireland's current coalition government, which came to power at the height of the financial crisis in 2011, has placed a strong emphasis on the possibilities of the agriculture sector in reviving the economy.

Prime Minister Enda Kenny in February announced that Ireland would become the first EU country to resume beef exports to China, restricted since the BSE mad cow disease scandal of the late 1990s.

BDBL appoints new DMD

STAR BUSINESS DESK

Mohammad Jalaluddin has joined Bangladesh Development Bank as deputy managing director, it said in a statement yesterday.

Prior to his current assignment, Jalaluddin served Sonali Bank in the same capacity, it said.

He began his career with Agrani Bank, where he worked for three decades. He majored in finance from the Institute of Business Administration, Dhaka University.

Denim show takes off in Dhaka

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The event is open from 9:30am to 6:30pm to invitees only, organisers said in a statement yesterday.

Ferdinand von Weyhe, charge d'affaires of the German Embassy in Dhaka, inaugurated the exhibition, where AKM Salim Osman, president of Bangladesh Knitwear Manufacturers and Exporters Association, and Tapan Chowdhury, president of Bangladesh Textile Mills Association, were also present.

Many brands, buying houses, entrepreneurs and fashion professionals involved in technology, chemicals and piece dyes, have been invited to the event from Europe, USA, UK and several Asian countries, organisers said.

"We want to ensure that the show brings an international focus to these products, to serve the masses and niche needs in textile and apparel," said Sandeep Agarwal, organiser of the show.

Agarwal said the event is an extension of the first and second shows held in 2014, and brings all stakeholders together again.

Agarwal has been associated with the denim industry for 20 years and the show is named after his denim website, denimsandjeans.com.

A denim fashion show will play out at the exhibition as well.

Denim experts from Europe and USA, including Adriano Goldschmied, the founder of Diesel brand, have been invited to share their knowledge on denim, the statement said.

On the second day of the show, GIZ will hold a discussion on prospects of denim. Garment industry leaders, retailers, technical experts and chemical suppliers will discuss the environmental and occupational health issues of denim manufacturing and the opportunities for the sector.

China manufacturing shrinks again

AFP, Beijing

China's manufacturing activity contracted for the second straight month in February, the government said Sunday, a day after the central bank announced an interest rate cut to help stem a slump in the world's second-largest economy.

The official Purchasing Managers' Index (PMI) released by the National Bureau of Statistics (NBS) came in at 49.9 last month, up a fraction from 49.8 in January, but remaining in contraction.

The index, which tracks activity in factories and workshops, is considered a key indicator of the health of China's economy, a major driver of global growth. A figure above 50 signals expansion, while anything below indicates shrinkage.

January's figure had been the first contraction for 27 months and highlighted weakness in the key sector as China's economic growth slows. "The manufacturing PMI figure released today reinforces that headwinds remain in the economy," ANZ economists Liu Li-Gang and Zhou Hao wrote in a reaction to the survey.

China's overall economy expanded 7.4 percent in 2014, a 24-year low, with the slowdown prompting authorities to loosen monetary policy in a bid to put a floor under growth.

Underscoring concern, the People's Bank of China (PBoC) announced on Saturday that it was lowering benchmark interest rates for the second time in three months.

The central bank lowered its one-year rate for deposits by 25 basis points, or 0.25 percentage point, to 2.5 percent and its one-year lending rate by a similar margin to 5.35 percent.

The move takes effect on Sunday.

In a statement posted on its website, the bank pointed to "historically low inflation" as among the factors behind the move.

Chinese inflation as measured by the consumer price index (CPI) plunged to a more than five-year low of 0.8 percent in January, fuelling fears the economy could be on the brink of deflation.

The producer price index, a measure of costs for goods at the factory gate and a leading indicator of the trend for CPI, declined for the 35th straight month in January, recording its biggest decline since October 2009.

The PBoC surprised markets on November 21 by cutting interest rates for the first time in more than 2 1/2 years.

"We believe that China has started a new round of policy easing, and more easing policies can be expected," Liu and Zhou of ANZ wrote.

They expect the PBoC to carry out another 25-basis point cut in deposit rates this year as well as further slash the reserve requirement ratio (RRR), the percentage of funds banks must hold in reserve.

The central bank in early February announced its first across-the-board cut in the RRR in more than 2 1/2 years in a bid to spur lending and boost the economy.

Sunday's data from the NBS come after British bank HSBC said last week that its PMI survey returned to expansion territory.

The preliminary reading for February came in at a four-month high of 50.1, up from 49.7 in January, said HSBC, which is scheduled to release its final figure on Monday.

End unrest to attract more foreign investment

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Trade ties between the two countries are growing fast. "The bilateral trade volume registered a significant year-on-year growth of 10.5 percent in 2014 to reach $481.43 million."

Bangladesh has long been a priority for Switzerland in development cooperation, the official said.

The Swiss Cooperation Strategy for Bangladesh for the period between 2013 and 2017 identifies some areas -- skills development, market development and local governance -- where Switzerland will continue to support Bangladesh, he said.

The annual Swiss grant contributions for Bangladesh currently stand at around $35 million. Of all items imported from Bangladesh last year, 95 percent were textiles and apparel products.

Switzerland can become an important market for Bangladesh's other emerging sectors, namely IT, leather, high-end garments and ceramic products, he said. Switzerland primarily exports chemicals, pharmaceutical products and industrial machinery to Bangladesh.

However, Switzerland can also provide Bangladesh with attractive hi-tech and clean-tech solutions, where Switzerland has particular expertise, Matyassy said.

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Mariners lose jobs as firms sell off ships

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East Coast Group has sold out its bulk ship, a 100,000 tonne-capacity one, as scrap metal after just three years of use.

The operating cost per day for an ocean-going ship hovers between $7,000 and $10,000. If a ship sits idle for a day or is used for one-way business, it has to count huge losses.

"The job losses of the crew members are a big concern for us," said Rahman, who was also the former principal officer of Mercantile Marine Department.

A ship employs 20-22 crew members, with seven of them being officers who earn up to $12,000 per month as salary.

The previous government's friendly policy decisions, such as the reduction of registration costs, allocation of frequency and ship station licences, encouraged local entrepreneurs to buy ocean-going vessels to ply on foreign waters.

For example, the registration fee for a 40,000-tonne ship was Tk 10 crore but it was brought down to only Tk 50 lakh by the previous government.

The declining market price of ships since the global financial crisis in 2007 also pushed local businesses to procure ships at lower prices.

Depending on the age, a 40,000-tonne ship could be bought for as low as Tk 70 crore to Tk 100 crore, while the bigger, bulkier ships cost Tk 150 crore to Tk 200 crore.

Conglomerates such as Abul Khair Group, Bashundhara Group, Akij Group, Meghna Group of Industries, East Coast Group, Desh Bandhu Group, HRC Group, Ratanpur Shipping, Trans Ocean Group and so on bought two to three ships or more between 2009 and 2012.

Profit taking pushes stocks into the red

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The benchmark index shed the previous day's gains as political outlook remained bleak and investors took profits, LankaBangla Securities said. The market remained negative as long-term outlook for investors became bleak due to ongoing political unrest, IDLC investments said.

Turnover, the most important indicator of the market, advanced 13.69 percent to Tk 337 crore, compared to the previous day.

Most of the major sectors ended flat. The banking sector gained 0.11 percent in market cap, followed by telecom's 0.09 percent, food 0.19 percent and power 0.16 percent.

Cement lost 2.95 percent as Lafarge Surma Cement lost 5.2 percent alone. Non-bank financial institutions fell 1.53 percent and pharma lost 0.34 percent.

The losers took a modest lead over gainers as 188 declined, 86 advanced and 35 remained unchanged on the DSE.

A total of 0.93 lakh trades were executed with 7.29 crore shares and mutual fund units changing hands on the Dhaka bourse.

Heidelberg Cement was the most traded stock with 4.08 lakh shares worth Tk 21.96 crore bought and sold, just after the company declared 380 percent cash dividends. It was followed by Lafarge Surma Cement.

Social Islami Bank was the day's top gainer, posting a rise of 12.77 percent following its corporate declaration of 18 percent cash dividends, while Modern Dyeing ended down 9.32 percent to become the day's worst loser.

SYMPHONY

Kazi Jahir Uddin, deputy general manager of Symphony, and MA Hanif, national sales manager, pose with the Symphony H20 smartphone at its launching ceremony.