

# Citing Trump 'uncertainty,' Fed says faster rate hikes possible

AFP, Washington  
US central bankers say they may need to raise interest rates faster than planned due to "considerable uncertainty" linked to Donald Trump's fiscal stimulus plans, which could fan inflation.

Minutes of the Federal Reserve's final 2016 policy meeting, published on Wednesday, illustrate the complex balancing act it faces as the Republican billionaire prepares to take office on January 20.

The president-elect's pledge to slash taxes and ramp up infrastructure spending could boost demand above sustainable levels, "potentially necessitating somewhat tighter monetary policy than currently anticipated," many participants in the December 13-14 meetings said.

Members of the policy-setting Federal Open Market Committee last month increased the benchmark US lending rate for the second time in a decade, and also signaled the likelihood of three rate increases in 2017, one more than previously expected.

That came as some surprise since the quarterly economic forecasts did not change appreciably, and it was seen as the Fed's first reaction to Trump's November 8 election.

Many analysts expect the central bank will have to raise rates even faster if Trump's infrastructure spending and tax cuts fuel faster inflation.

Participants judged that the prospect of higher than expected growth -- and therefore higher inflation -- "increased as a result of prospects for more expansionary fiscal policies."

About half incorporated an assumption of more expansionary fiscal policy in their forecasts.

With the unemployment rate seen as more likely under Trump to remain low, the FOMC "might need to raise the federal funds rate more quickly than currently anticipated ... to stem a potential buildup of inflationary pressures," many of the participants said.

Despite these risks, the minutes repeatedly said the central bank expects it can continue to make only "gradual adjustments" in the interest rate, although they emphasized the need to adjust course "as economic conditions evolve."

The FOMC voted unanimously last month to increase the key federal funds rate to a range of 0.5 to 0.75 percent, a year after the last rate hike.

In their quarterly economic projections released in December, Fed officials anticipated three rate increases in 2017, to reach 1.4 percent at the

end of the year. It would then rise at the close of 2018 to 2.1 percent.

US economic growth is expected to be about two percent this year and next, while inflation is expected to gradually reach the Fed's two percent target.

Analysts said uncertainty was the main theme of the central bank's discussions, which means the outlook for policy could change quickly.

"Until the extent, structure and timing of fiscal easing is known, the Fed's forecasts for both the economy and rates have to be considered tentative," Ian Shepherdson, chief economist at Pantheon Macroeconomics, said in a commentary.

Shepherdson, who expects the next rate hike in March rather than at the late January meeting, noted that the idea that rates will rise at a gradual pace is "open to wide interpretation and a substantial fiscal easing could change things quickly."

Mizuho Chief US Economist Steven Ricchiuto noted that while some FOMC participants included the expected fiscal stimulus in their forecasts "the fact that about half of the members of the committee has discounted some stimulus from Trump seems to have been greeted positively" by financial markets.



Feroz Al Mamun, head of sales at Hatil, explains the features of the multi-functional furniture of his company, at a press briefing at the premium pavilion of Hatil at Dhaka International Trade Fair 2017 in the capital yesterday.

# US car sales set new record in 2016

AFP, Chicago  
The US consumer buoyed carmakers to a big finish in 2016, with strong December figures released Wednesday putting total sales for the year over the top to beat the 2015 record.

Sales inched 0.4 percent past the 2015 record for a total of 17.55 million vehicles sold, according to a tally by Autodata. The total was helped by a busy December shopping period, during which consumers traditionally seek year-end discounts.

Many auto makers reported sales gains in the final month of the year, for a combined 3.1 percent rise in the US market. Light trucks and sport utility vehicles were up 8.3 percent compared to the year-ago period, while passenger cars were down 4.7 percent.

For 2016 sales, Ford reported its best year in a decade, while Nissan and Honda said they sold a record number of cars in the US. Toyota and GM bucked the trend, with their total sales in 2016 down from the year earlier. Still, GM remained upbeat about the prospects for 2017.

"Key economic indicators, especially consumer confidence, continue to reflect optimism about the US economy and strong customer demand continues to drive a very healthy US auto industry," GM Chief Economist Mustafa

Mohatarem said in a statement. "We believe the US auto industry remains well-positioned for sales to continue at or near record levels in 2017."

But some industry analysts say car sales likely are plateauing and could decline in 2017.

"Elevated inventories, a slow model-year transition and record incentive levels point to the challenges the industry will face in 2017," JD Power auto analyst Deirdre Borrego said.

"Going forward, automakers must maintain production and pricing discipline to achieve profitability, which is easier said than done."

Automakers have seen inventories of sedans swell, even as demand for trucks and SUVs have stayed robust. GM announced in December that it would close five US manufacturing plants for one to three weeks this month, in response to lower demand.

Still, the sales figures were mostly upbeat. Even Volkswagen, which struggled much of the year thanks to a diesel emissions scandal that saw its sales decline 7.6 percent for the year, reported a 20-percent sales jump in December.

While the company's yearly sales figures remain below pre-scandal levels, its December sales have now surpassed what they were in 2013. The automaker's Golf SportWagen and

Passat sedans led the way. Ford managed a mere 0.3 percent sales gain for December, but sold more than 2.6 million vehicles in 2016 -- 61 percent of them trucks and sport utility vehicles.

Nissan reported a banner 2016, with an all-time company record of 1.4 million vehicles sold in the US, up five percent from the previous year. The company said its Rogue crossover vehicle was its best-selling model. December sales jumped 9.7 percent compared to the year-ago period.

Honda reported a 10.3 percent sales increase in December and a record 2016, with sales were up 3.2 percent from the previous year for a total of 1.6 million units sold. Honda's popular SUV, the CR-V, was a sales leader, but so were its Civic and Accord sedans.

Toyota said US sales increased two percent in December, but declined two percent for 2016 to 2.4 million vehicles.

GM reported a 10 percent increase in the month compared to December 2015, led by its Chevrolet brand, which had its best year since 2006. But the biggest US automaker said total sales fell 1.3 percent in 2016 from 2015, to just over three million vehicles.

The North American subsidiary of Fiat Chrysler, FCA US, recorded another bad month, as US sales fell 10 percent, following the 14-percent drop in November.



Md Yeasin Ali, chairman of Bangladesh Development Bank, cuts a cake to celebrate the bank's seventh anniversary on the premises of the bank on January 3.

# Apple removes New York Times app from China store

AFP, Beijing  
Apple has removed the New York Times from its China app store, the tech giant said, after authorities told the company the app breached regulations.

The US newspaper said both its English- and Chinese-language apps were pulled late last month, blocking one of the few remaining channels for readers in China to access its reports.

"For some time now the New York Times app has not been permitted to display content to most users in China, and we have been informed that the app is in violation of local regulations," Apple spokeswoman Carolyn Wu said in a statement to AFP.

"As a result, the app must be taken down off the China App Store."

When the situation changes, she added, Apple will offer the app again for download in China. The development marks the latest move by Beijing to suppress the newspaper's output in China, after the government blocked its website following a 2012 Times report saying that former Premier Wen Jiabao's family controlled assets worth \$2.7 billion.

Incoming correspondents for The New York Times were not given Chinese residence visas in apparent retaliation.

China's Communist Party oversees a vast censorship apparatus designed to censor online content they deem politically sensitive, while blocking some

Western websites and the services of Internet giants including Facebook, Twitter and Google. In recent months Beijing censors had "struggled" to prevent readers from using the Chinese-language app, the Times reported. A Times spokeswoman said the company had asked Apple to reconsider its decision, it added.

"The request by the Chinese authorities to remove our apps is part of their wider attempt to prevent readers in China from accessing independent news coverage by The New York Times of that country," spokeswoman Eileen Murphy said.

China has seen a sprawling crackdown on dissent under President Xi Jinping, restricting citizens' speech online and jailing hundreds of lawyers who had taken on civil rights cases considered sensitive by the ruling party.

At the same time the world's number two economy is Apple's second-biggest market, and a key part of its supply chain, where many of its products are manufactured.

Apple CEO Tim Cook is a frequent visitor to the People's Republic and the company has made several large-scale investments in the country. The California-based firm announced last year it will open two research and development centres in Beijing and Shenzhen.

In December it bought a 30 percent stake in wind farm projects across China that will produce 285 megawatts of power, its largest clean energy project to date.

# WTO's trade facilitation deal getting ready to take effect

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The Trade Facilitation Agreement Facility (TFAF) was also created at the request of developing and LDC members to help ensure that they receive the assistance needed to reap the full benefits of the TFA, the WTO said.

One of the major commitments of the TFA is the introduction of paperless business worldwide, which is expected to slash the cost of doing business by 10-15 percent.

The cost of doing business, particularly in the LDCs, is higher as importers and exporters have to pay extra money as bribe in customs, transportation and to process other documents. Developing countries will benefit significantly from the TFA, capturing more than half of the available gains, according to the WTO.

If the TFA is implemented properly, exports from developing countries are estimated to increase between \$170 billion and \$730 billion, while that of developed economies between \$310 billion and \$580 billion a year, according to the World Trade Report.

The fuller and faster implementation of the TFA will also boost the overall world export growth by up to 2.7 percent and global GDP growth by 0.5 percent, the WTO said.

The agreement is expected to help the developing countries diversify their exports as well.

If the TFA is fully implemented, developing countries could increase the number of new products being exported by as much as 20 percent. The LDCs are likely to see a much bigger hike of up to 35 percent.

Rahman said, once the 110 member countries of the WTO ratify the deal, it will be an obligation for the countries to follow the rules of the TFA. "If a country does not follow the rules, it might face sanction in international trade," he said. Bangladesh should start doing homework on how to implement the rules of the TFA, Rahman said. The country will also need to improve the roads and highways and infrastructure as part of the TFA, he added.

# Development spending jumps 41pc

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They are: health and family welfare ministry, housing and public works ministry, primary and mass education ministry, power division and local government division.

The railway ministry, secondary and higher education division, bridges division, road transport and highways division, and water resources ministry spent much lower than the average.

Among the 55 ministries and divisions, 31 performed lower than the average implementation rate of 27 percent.

For instance, the total allocation for the Anti-Corruption Commission this fiscal year was Tk 79 crore but it could not spend a single taka. The commerce ministry, industries ministry, ICT Division, Statistics and Information Management Division could spend only 4 to 5 percent of their allocations.

# Govt sets land tariff for economic zones

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It is setting up four economic zones in the public sector, while it has awarded two final licences in the private sector.

Beza also awarded prequalification licences to 10 local private companies so far to set up 11 other economic zones: one each to AK Khan and Company, Bay Group, Aman Group, Maisha Group, United Group, Unique Group, Akij Group and two to Bashundhara Group and Meghna Group.

# BTRC moves to assess telcos' service quality

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In November last year, the telecom regulator organised its first public hearing, where most of the attendants expressed their dissatisfaction over their quality of service being offered by the mobile operators.

The BTRC also introduced a system to receive feedback from customers on the five operators' service quality. A total of 7,561 complaints were received between May and October last year.

# Internet disruptions to continue

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On December 13, a submarine cable named 121 Media owned by Bharti Airtel went down due to a cut in fibre connection, which is yet to be restored.

Another submarine cable IMEWE—a high-capacity fibre optic cable linked with India and Europe via Middle East—is also down. The internet connection will return to normal as soon as the maintenance work of IMEWE and 121 Media is complete by January 20, Haque said.



From left, Md Shamim Alam Khan, general manager of UniDerma, a division of UniMed and UniHealth; M Mosaddek Hossain, managing director; Nazmul Hossain, executive director, and AKM Ahsan Ullah, national sales manager, attend the annual conference 2016 of the company in Dhaka on January 1.



State Minister for Health and Family Welfare Zahid Maleque, Spectra Group's Chairperson Khan Md Aftab Uddin and Managing Director Ruhul Ameen attend a performance award giving ceremony of Bangladesh Thai Aluminium Ltd, at Spectra Convention Centre in Dhaka on Wednesday.