

Fed raises rates, unveils balance sheet cuts in sign of confidence

REUTERS, Washington

The Federal Reserve raised interest rates on Wednesday for the second time in three months and said it would begin cutting its holdings of bonds and other securities this year, signaling its confidence in a growing U.S. economy and strengthening job market.

In lifting its benchmark lending rate by a quarter percentage point to a target range of 1.00 percent to 1.25 percent and forecasting one more hike this year, the Fed seemed to largely brush off a recent run of mixed economic data.

The US central bank's rate-setting committee said the economy had continued to strengthen, job gains remained solid and indicated it viewed a recent softness in inflation as largely transitory.

The Fed also gave a first clear outline on its plan to reduce its \$4.2 trillion portfolio of Treasury bonds and mortgage-backed securities, most of which were purchased in the wake of the 2007-2009 financial crisis and recession.

It expects to begin the normalization of its balance sheet this year, gradually ramping up the pace. The plan, which would feature halting

reinvestments of ever-larger amounts of maturing securities, did not specify the overall size of the reduction.

"What I can tell you is that we anticipate reducing reserve balances and our overall balance sheet to levels appreciably below those seen in recent years but larger than before the financial crisis," Fed Chair Janet Yellen said in a press conference following the release of the Fed's policy statement.

She added that the balance sheet normalization could be put into effect "relatively soon."

The initial cap for the reduction of the Fed's Treasuries holdings would be set at \$6 billion per month, increasing by \$6 billion increments every three months over a 12-month period until it reached \$30 billion per month.

For agency debt and mortgage-backed securities, the cap will be \$4 billion per month initially, rising by \$4 billion at quarterly intervals over a year until it reached \$20 billion per month.

US stocks edged lower and prices of US Treasuries pared gains after the Fed's policy statement. The dollar was largely flat against a basket of currencies after reversing earlier losses, while the price of gold fell.

"The Fed announcing an update to

their reinvestment principles leaves September open (for) the start of balance sheet runoff, and the fact that they haven't slowed their projected path of rate hikes suggest they can do both balance sheet and rate hikes at the same time," said Gennadiy Goldberg, interest rate strategist at TD Securities.

The Fed has now raised rates four times as part of a normalization of monetary policy that began in December 2015. The central bank had pushed rates to near zero in response to the financial crisis.

Fed policymakers also released their latest set of quarterly economic forecasts, which showed only temporary concern about inflation and continued confidence about economic growth in the coming years.

They forecast U.S. economic growth of 2.2 percent in 2017, an increase from the previous projection in March. Inflation was expected to be at 1.7 percent by the end of this year, down from the 1.9 percent previously forecast.

A retreat in inflation over the past two months has caused jitters that the shortfall, if sustained, could alter the pace of future rate hikes. But the Fed maintained its forecast for three rate hikes next year.



Siddiqur Rahman, chairman of FAS Finance and Investment Ltd, presides over the company's 20th annual general meeting at Raowa Convention Hall in Dhaka yesterday. The company declared 5 percent stock dividend for 2016. Md Russel Shahrior, managing director, was also present.



Syed M Altaf Hussain, chairman of Pragati Insurance, presides over the company's 31st annual general meeting at BIAM Foundation in Dhaka on June 14. The company declared 10 percent cash and 5 percent stock dividends for 2016.



Nazeem A Choudhury, head of consumer banking at Eastern Bank, and Ahmed Ashfaqur Rahman, national president of Junior Chamber International Bangladesh, attend the launch of the bank's exclusive MasterCard titanium and world credit card in Dhaka for the members of the chamber.

Pran starts making napkin, diaper

STAR BUSINESS DESK

Advanced Personal Care Ltd (APCL), a company of Pran Group, has begun producing napkins and diapers.

Meher Afroze Chumki, state minister for women and children affairs, inaugurated the production of Staysafe Napkin and Kidstar Diaper at the RFL Industrial Park in Kaliganj of Gazipur on Wednesday.

Pran-RFL Group Chairman Ahsan Khan Chowdhury, Managing Director Eleash Mridha, RFL Group Managing Director RN Paul and APCL Executive Director Muniruzzaman were present on the occasion.



Mohammed Shoeb, chairman of City Bank, presides over the bank's 34th annual general meeting at Kurmitola Golf Club in the capital yesterday. The bank declared 24 percent cash dividend for 2016. Sohail R K Hussain, managing director, was also present.

Gender gap widens in South Asian labour market: ILO

FROM PAGE B1

"What's more, women in the region work in jobs that tend to be both of lower quality and lower pay than that of their male counterparts."

About 80 percent of the women polled in East Asia and Southeast Asia and the Pacific said they would rather be working in a paid job than solely staying at home.

Yet at the same time, around 40 percent of working-age women in the regions are not in the labour market, suggesting that major obstacles continue to exist that prevent women from fully engaging in paid work.

The obstacles that prevent women from joining the workforce are still too firmly rooted in the region, said Tomoko Nishimoto, ILO's assistant director general and regional director for Asia and the Pacific. "We need to improve family-

friendly work policies and have better care options for women to be able to take part in the labour market," he added.

Over 20 percent of female respondents in the Asia-Pacific region cited 'work/family balance' as a major challenge to labour participation. About 22 percent of the respondents in East Asia -- more than any other region -- cited "lack of affordable care" as a challenge faced by women.

The report advocates for a comprehensive approach to improve women's labour market situation by challenging the social norms and socio-economic constraints that hold women back, including issues related to discrimination, education, unpaid care work, work-family balance and marital status. In particular, reshaping gender role conformity will be imperative for improving equality in labour market conditions.

India's oil imports from Iran plunge over gas field row

REUTERS, New Delhi

India's oil imports from Iran have fallen to their lowest since June 2016, shipping data shows, in possible retaliation for Tehran not awarding a gas field development to Indian companies.

India, Iran's top oil client after China, shipped in 487,600 barrels per day (bpd) in May, about 9 percent less compared with April and nearly 40 percent less than a peak registered in October, according to ship tracking data obtained from sources and data compiled by Thomson Reuters Oil Research & Forecasts.

Most Western-led sanctions against Tehran's nuclear programme were lifted in January last year, and India's Iranian crude imports began climbing two months later in March.

In the fiscal year to March 2018, though, India has said it plans to order about a quarter less Iranian crude due to a snub over development of Iran's Farzad B gas field.

Banks asked to set up remittance help desk

FROM PAGE B1

The circular was issued after a BB research found that the remitters are reluctant to send money through banking channel because of poor service, said a central banker.

Bangladesh received \$11.55 billion in remittance in the 11 months of the current fiscal year, down 14.18 percent from the same period in the last fiscal year, according to BB data.

The fall in remittance prompted the government to take measures to enhance remittance receipts.

BB has also stopped intervening in the market, retaining the dollar price at a certain level. As a result, the exchange rate went above Tk 80 per dollar in the last two months.

Also, the government is set to put in place a dedicated portal for migrant workers.

From the portal, migrant workers will have easy access to work permit-related information of their host countries, while prospective ones can get visa-related particulars.

The government will also encourage the private sector to explore new labour markets and send workers abroad at low cost under state initiatives.

The other measures include developing training infrastructure and imparting training to migrant workers to help them meet job requirements of the host countries.

Remittances from workers overseas contribute to Bangladesh's economic growth by supporting household income and consumption.

Money sent by Bangladeshi workers accounted for 6.7 percent of the gross domestic product in 2015-16.

But muted remittances growth could weigh on consumption, said Moody's on Sunday.

Islami Bank channelled the highest amount of remittance during the July-April period, bringing home \$2.21 billion, according to BB data.

Dutch-Bangla Bank brought home \$489 million, National \$411 million, Uttara \$381 million, Pubali \$351 million and Bank Asia \$313 million.

Among the state banks, Agrani Bank channelled the highest amount of remittance, at \$1.11 billion.

BASIC Bank to get fresh Tk 1,000cr

FROM PAGE B1

"It gives opponents of this reform an extra point to argue that the additional revenue is unlikely to be put to good use," he added.

Finance Minister AMA Muhith said nothing on the banking sector reforms in his budget speech in parliament on June 1.

A few years back, he said a commission would be formed for the purpose, but that is yet to be done. The International Monetary Fund last week released a report in which it identified the banking sector as a potential menace for Bangladesh.

The state banks have high non-performing loans, low profitability and sizeable capital shortfalls, and further deterioration in their balance sheets would potentially have a negative impact on fiscal balance, it said.

At the end of March 31, the eight state banks -- six commercial and two specialised

-- ran a total deficit of Tk 13,977 crore.

Sonali has a shortfall of Tk 2,557 crore, BASIC Tk 2,961 crore, Rupali Tk 637 crore, Krishi Tk 7,252 crore and Rajshahi Krishi Unnayan Bank Tk 778 crore.

The banks, which represent about a quarter of the total banking system's assets, should be held strictly accountable to numerical targets agreed with the authorities to improve their financial condition, the IMF added.

The cheques that will be issued to the five state banks now will come with conditions attached, one being not investing the sum in risky ventures, said a finance ministry official. If anybody does so, he will be held responsible.

The BASIC Bank official said the fresh capital injection from the government will not be used for lending purposes; rather, it will be put in treasury bill bonds.

Tier 4 data centre a step closer to reality

FROM PAGE B1

The data centre will help in safeguarding digital contents and ensuring cyber security of the country, Zunaid Ahmed Palak, state minister for ICT, said after getting the certificate. At present, Bangladesh has a Tier 3 data centre, which is inadequate to meet the country's demand, experts said.

The Tier 4 centre, which will be built inside Bangabandhu Hi-Tech City at Kaliakoir in Gazipur at a cost of Tk 1,516.91 crore, will be the first-of-its-kind in Asia and the sixth in the world.

Up to 70 percent of the work for the establishment of the centre is complete and the government has also imported server, networking and other equipment, storage capacity, power, cooling, fire systems for the centre.

The systems that will be supported by the Tier 4 data centre, which will be up and running by June 2018, will remain available 99.995 percent of the times, up from 99.982 percent for a Tier 3 centre.

In other words, a Tier 4 data centre will have 0.8 hours of interruption every year, up from 1.6 hours for a Tier 3 centre.

Chinese vendor ZTE Corporation is developing the project.

For the data centre, the government will provide Tk 317.55 crore and the rest will come from the Export-Import Bank of China as project assistance.

Currently, there are five Tier 4 data centres in the world. They are located in Madrid (Spain), Alcala de Henares (Spain), Las Vegas (USA), Olathe (USA) and Guelph (Canada).



Abdul Muhaimen, acting managing director of United Commercial Bank, and Tarique A Bhuiyan, executive chairman of Hashkcloud Bangladesh Ltd, exchange the signed documents of a deal at a programme. The bank will provide its retail, SME and corporate clients with a range of digital financial technology services and products of Hashkcloud.

Samsung starts making five appliances locally

FROM PAGE B1

The LCM line was inaugurated by Saifur Rahman, director of Transcom Group, along with KooYeun Choi, group leader of Samsung Electronics's global strategic business department, Taeho Park, division head of consumer electronics at Samsung Southwest Asia, and Youn.

The plant, which spans 18,000 square feet in the capital's Mohakhali area, started manufacturing televisions on a test basis from last month.

Some 13 models of televisions -- all of which would be less than 55 inches -- will be manufactured at the plant, with some of the components brought in from Vietnam.

Samsung currently has five distribution partners in Bangladesh and the factory will supply televisions to them.

The existing market for televisions stands at about ten lakh units a year. Of the sum, branded products account for 40 percent.

The other factory that was inaugurated yesterday will be run by Fair Electronics.

The plant, located in Shibpur of Narsingdi, was inaugurated by Industries Minister Amir Hossain Amu, ICT State Minister Zunaid Ahmed Palak and Korean Ambassador Ahn Seong-doo.

The plant will manufacture 4 lakh units of refrigerator, 2.5 lakh units of microwave oven, 1.2 lakh units of air conditioner and 50,000 units of washing machine every year, according to Fair Group.

The factory will employ about 3,000 people.



Mamun-Ur-Rashid, managing director of Standard Bank, opens the bank's 11th agent outlet at Jatrabari in Dhaka yesterday.