

# No-show inflation poses conundrum for US Fed

AFP, Washington

After tightening monetary policy last month for the second time this year, the US central bank is expected to pause for the next few months to monitor developments.

The Federal Reserve will leave the benchmark interest rate untouched when it meets Tuesday and Wednesday, partly because it has yet to begin to wind down its huge stock of bond holdings, and will not make another move on interest rates until that process is underway.

But the Fed also faces a growing conundrum as it waits for signs of long-absent inflation to finally appear.

In the normal course of events, as an economy recovers and hiring increases, that brings with it rising wages and inflation, which in turn prompts the central bank to hike lending rates to keep prices in check while still allowing economic growth to continue.

But despite nearly seven years of uninterrupted job creation and a very low unemployment rate of 4.4 percent, inflationary pressures and wage gains show little sign of life.

The central bank is running out of explanations.

While the Fed is expected to implement one more rate increase late this year, there are divisions among policymakers on the timing.

Minutes from the June meeting of the Federal Open Market Committee, the Fed's policy-setting panel, show several members were not "comfortable" with plans to increase rates again this year.

Fed Chair Janet Yellen told Congress this month that the central bank was not blind to the data showing inflation stubbornly below the central bank's two percent target.

"We're watching it very closely and stand ready to adjust our policy if it appears that the inflation undershoot will be persistent," she said, but it is too soon to say flat prices are due to more than transitory factors.

Yellen and other economists have pointed to a series of one-off explanations, including lower drug prices and costs for mobile phone plans, some of which will continue to make their impact felt on the annual inflation rate for some months.

But baffled economists are beginning to doubt whether that is the whole story.

"There's a litany of excuses and reasons why wages have hit a speed bump in the US, why inflation has hit a speed bump in the US," economist Diane Swonk told AFP.

But she said, "I'm getting to the point where I'm hard pressed to find an explanation. It's starting to bother me."

Inflation is not simply weak -- it is deserting the battlefield altogether.

The "core" measure of the Personal Consumption Expenditures price index -- the Fed's favorite inflation indicator -- has been below the central bank's two percent target for five years.

Last month, the headline PCE price index contracted for the second time in 2017.

The Consumer Price Index also came in flat in June after contracting in May, dragging the 12-month measure down more than a full percentage point in the last four months.

Swonk said another explanation is price competition among online retailers, which also has been persistent in other advanced economies like Japan and Germany.

And even amid growing reports that companies have open positions but cannot find qualified workers to fill them, wage growth has been sluggish at best, at 2.5 percent.

While June was a strong month for jobs, adding 222,000 net new positions, average monthly job creation in the first half of 2017 still lags slightly behind that of 2016.

"Until you see the whites of the eyes of inflation, the central banks of the world are in a pickle," Swonk said.



BANK ASIA

**Sudipto Mukerjee, country director of UNDP Bangladesh, and Arfan Ali, managing director of Bank Asia, exchange the signed documents of a deal at a programme in Dhaka to provide the village population with easier access to social safety net payments. Story on B1**

## EU's car regulator warns against car diesel ban in cities

REUTERS, Brussels

Banning diesel cars in European cities could hamper automakers' ability to invest in zero-emission vehicles, the European Union's commissioner for industry has warned the bloc's transport ministers.

In a letter seen by Reuters, Commissioner Elzbieta Bienkowska said there would be no benefit in a

collapse of the market for diesel cars and that the short-term focus should be on forcing carmakers to bring dangerous nitrogen oxide emissions into line with EU regulations.

"While I am convinced that we should rapidly head for zero-emission vehicles in Europe, policymakers and industry cannot have an interest in a rapid collapse of the diesel market in Europe as a result of local driving

bans," Bienkowska said.

"It would only deprive the industry of necessary funds to invest in zero-emissions vehicles," she said in the letter, dated July 17.

Germany's three major carmakers have invested heavily in diesel technology, which offers more efficient fuel burn and lower carbon dioxide emissions than gasoline-powered cars.



MASTERCARD BANGLADESH

**Subhankar Saha, executive director of Bangladesh Bank, and Syed Mohammad Kamal, country manager of Mastercard Bangladesh, pose with the winner of a campaign—Experience Paris with MasterCard—at Pan Pacific Sonargaon in Dhaka yesterday. Story on B1**

## Skills dearth to dent development: study

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"Trainings are important not only for export competitiveness but also for domestic necessity," he said.

The report touched upon recent changes in the labour market.

It said the share of illiterate labour force has halved in recent years: it was only 21 percent in 2013 compared to 40 percent in 2006.

Meanwhile, that with higher secondary education or above also doubled from 8.5 percent in 2006 to 18.9 percent in 2013. That with technical or vocational training has also gone up.

In 2013, about 5.4 percent of the labour force or 5.74 lakh people had technical or vocational training against 0.14 percent or 80,000 in 2010.

The study was carried out in 10 subsectors: agro-processing, garment,

textile, construction, hospitality and tourism, leather, light engineering, ICT, shipbuilding and healthcare.

The construction, garment and textile and agro-processing sectors employ a significant share of workers, accounting for 3.8 percent, 8.4 percent and 2.5 percent of all employment respectively.

The biggest skills gap is now in the agro-food sector followed by the garment and textile sectors.

The skills gap is also high or 40 percent in the IT sector as the demand is mainly for skilled and semi-skilled labour, said the report.

The report said there was a surplus in the supply of doctors in the health sector while nurses were short in supply. The report showed that only 10.4 percent of workers in

the subsectors received training whereas the rest received none.

The report said most of the skills acquisition now took place through on-the-job training rather than the formal process.

A few large factories have partial training facilities for their own staff while others have to depend on highly inadequate public facilities, it said.

Most are unwilling to send them for training as they may be lost to higher bidders, according to the report.

Data on the share of trained workers reveal that healthcare, IT and hospitality are dependent on them, the shares ranging from 25 to 40 percent.

The share of trained female workers is high in healthcare and IT.

Women's share of employment in the garment sector is high. But

women's share among trained workers is much lower than that of their male counterparts.

"Therefore, it is desirable that a predominantly larger share of the projected training in these sectors should be targeted to women."

"If such training is implemented, female workers will experience upward mobility with higher productivity and higher wage, which will encourage growth of women's labour force participation rate," he said.

Abul Kalam Azad, chief coordinator for Sustainable Development Goals at the Prime Minister's Office, emphasised working on skills development in sectors China was moving away from. Hedayetullah Al Mamoon, senior secretary of the finance division, was also present.

## MasterCard awards Ramadan campaign winners

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AKM Fazlul Haque, who became the top cardholder with the highest point, was awarded with an all-expenses paid couple trip to Paris.

The names of the top 30 users were also announced in the programme.

Campaigns such as this one from MasterCard and its partner banks go a long way in promoting the use of electronic payments as well as the digital transactions in the country, Subhankar Saha, executive director of Bangladesh Bank.

"The use of digital transactions has increased in the country; however companies like MasterCard play a key role here to expand the industry."

MasterCard is on the right track to promote digital transactions, he said.

"We designed this campaign by keeping in mind our mission of encouraging electronic payments by rewarding cardholders," said Syed Mohammad Kamal, country manager of MasterCard Bangladesh.

"The festive Ramadan season is the perfect time, when the frequency of transactions and shopping increases."

The grand prize is truly the most priceless experience anyone can dream of -- a trip to Paris, Kamal said.

"We have looked forward to our cardholders availing the exciting offers that were in store for them and today we are excited to be here to handover the prizes."

"We are confident that this campaign has been successful in promoting electronic payments in the country."

Other winners received various gifts such as all-expenses paid couple trips, large screen televisions, air conditioners, iPhone 7, wrist watches, dinner coupons and gift vouchers.

Ahmed Kamal Khan Chowdhury, managing director of Prime Bank, and Mahia Juned, deputy managing director of City Bank, also spoke at the event.

## India brings no cheer to garment exporters

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Bangladesh imports goods worth more than \$6 billion from India in a year through the formal channels, about \$2 billion of which is cotton.

More than 50 percent of Bangladesh's cotton requirement in a year is met by imports from India.

Abdul Matlub Ahmad, the immediate past president of the Federation of Bangladesh Chambers of Commerce and Industry and a former president of the India-Bangladesh Chamber of Commerce and Industry, urged the Export Promotion Bureau to open a separate cell for the Indian market.

The cell will research the reasons for the floundering exports to India.

"By this time, Bangladesh's export to India should have crossed the \$1 billion mark. But, still we cannot cross this mark

despite having the potential."

Ahmad said both Bangladesh and India are strong in the production of the same kinds of goods like garment.

"So the demand for Bangladeshi goods in India is low. We should find out goods in which India is not strong. We should produce those and export to India."

He cited the Pran-RFL Group as a case in point. The Bangladeshi company has found a huge market in India for its agro-based and processed food items.

"Actually, neither the public nor the private sector is serious about the Indian market," he added.

Not only garments, but the overall export to India also declined in fiscal 2016-17 to \$672.40 million, according to data from the EPB.

On the other hand, imports from India have been swelling every year.

## Banks susceptible to cyber threats: analysts

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"So, banks must take robust preparations now to face the emerging challenge. Otherwise, depositors' money will be at stake."

Fazle Kabir, governor of Bangladesh Bank, said: "Cybersecurity has become a concern worldwide." He said the central bank has taken a number of steps including appointing a chief IT officer and formulating a cybersecurity guideline.

"Banks have to be aware and take necessary measures to face this emerging challenge," he added.

Bankers have to have the knowledge on

cybersecurity, said Anis A Khan, managing director of Mutual Trust Bank and chairman of the Association of Bankers Bangladesh.

A big attack can severely hamper Bangladesh's banking services, said Abul Kashem Md Shirin, managing director of Dutch-Bangla Bank.

"We have to improve the security of our data centre," he added.

Toufiq Ahmad Choudhury, director-general of the BIBM, Shah Md Ahsan Habib, a director of the institute, and Amirul I Chowdhury, CEO of Trans IT Solution, also spoke.

## Bank Asia, UNDP team up for social safety net payments

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During this period, a research study will be conducted to tailor a mobile application for digital financial services developed by Bank Asia specifically for this target group.

The pilot district will be selected by Bank Asia and UNDP, during the research phase, the bank said.

"We want to go beyond only facilitating access to services and we want to maximise the long-term impact," said Sudipto Mukerjee, UNDP Bangladesh's country director.

"With this partnership, we will ensure that people are exposed to financial literacy training, which is expected to impact daily decisions an average family makes when trying to balance a budget for living."

## Millers, wholesalers to blame for rice price spiral: USDA

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"In the end, it was largely millers and wholesalers who pushed rice prices up."

The USDA's report comes at a time when the prices of coarse rice, which is mostly consumed by the poor and lower middle-income people, dropped marginally from its historic high of Tk 47.30 each kilogram in June.

The retail prices of coarse rice were Tk 42-45 per kilogram yesterday thanks to increased imports after reduction of import duty by the government to 10 percent from previous 28 percent.

Despite the fall, coarse rice prices were 36 percent higher yesterday from a year earlier, according to data from the Trading Corporation of Bangladesh.

Besides, the massive cutback in open market sales of rice last fiscal year fuelled price speculation.

The USDA said rice prices have been increasing since August last year, and the recent aman and boro rice harvest did little to relieve the pressure: prices remain their highest in eight years.

Rice prices began creeping up last year after the government hiked import duty to ensure farmers get better prices for their crops. Later, depleting stocks, particularly in public warehouses, coupled with low import caused the rice prices to remain higher.

To contain the price spiral and raise stock in public warehouses, the government also started buying the staple from global market for the first time in five years.

The agency said Bangladesh's rice import would rise to 1.2 million tonnes in the current fiscal year thanks to robust consumer demand, expansion of the food safety net programme, lower public stocks, and relaxed trade and financial policy.

Rice imports slumped 48 percent year-on-year to 133,000 tonnes in fiscal 2016-17. Since July 1, 102,800 tonnes of the grain were imported, according to food ministry data.



AFFAIRS EXHIBITIONS

**Indian High Commissioner Harsh Vardhan Shringla speaks at an event on "Study in India". India-based Affairs Exhibitions and Media Pvt Ltd organised the event in association with Dhaka-based A2Z Study, an education consultant, and with the support of the high commission, at Bangabandhu International Conference Centre in Dhaka.**

## Tidal surge, rains damage Ctg wholesale hubs

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Facing such inundation over the last few years, most of the proprietors had raised the level of their shops and godowns by up to 2 to 3 feet and started using wooden bases to store the sacks.

Those measures came to no use this time as water entered through the walls.

The problem has worsened over the years as many parts of the Chaktai canal had been filled up for lack of regular dredging and land grabbing, said Ahmad of Khatunganj Trade and Industries Association.

Subsequently, he called for immediate dredging of the canal and installation of sluice gates at its entrance.

Business activities in different markets in the area were on hold as staff

was busy driving out water from stores, godowns and mills using pumps or their bare hands. More than 7,000 big and small shops and godowns are located at the business hub.

Traders are yet to calculate the actual losses but they estimate it to be about Tk 50 crore.

At least 250 sacks of pulse stored at a mill of Payel Traders were completely damaged by water, yielding losses of about Tk 15 lakh, said its proprietor Ashutosh Mohajan.

The onrush of water during high tide on Thursday did not cause any alarm, so the goods were not shifted elsewhere, said Ashutosh Mohajan, proprietor of Payel Traders.

"We saw the onrush of water during

high tide on Thursday but we did not anticipate that it would get this high up. If we did, we would have shifted some of the goods," he said.

At least 200 sacks of onion, 50 sacks of ginger and 30 sacks garlic of Era Traders at Hamidulla Mia Bazar at Khatunganj were damaged, said Mohammad Faruq, its director.

The loss could reach Tk 4 lakh, he said, adding that he had to bear damaged of Tk 2 lakh during the onrush of water last month. "It has become a nuisance for us to do business here," he added. Md Syed, manager of M/s Bagdadi Corporation, another wholesale firm where over 150 sacks of onion and garlic were damaged, said he did not witness this high a surge in 25 years.