Fed ready to lay low as tax plan kicks in

REUTERS, *Philadelphia*

US Federal Reserve policymakers have come to view Donald Trump's tax overhaul as a short-term economic boost that will neither permanently supercharge the economy, as the president says, or cause an immediate disruption that would require a central bank response, as some analysts have warned.

That view emerged in recent interviews with four central bankers across the policy spectrum, from those eager to keep interest rates low, to those more inclined to raise rates as a guard against asset bubbles or any unexpected inflation jolt.

The interviews offer the most detailed look yet at a key issue -- whether the changes in the tax code might prompt the Fed to raise rates more quickly and thus blunt the new law's impact. The issue has divided analysts, with even staff at Congress' Joint Committee on Taxation assuming an "aggressive" Fed reaction to the new law.

But all four of those interviewed by Reuters shared a common conclusion that the law would provide some short-term benefit without raising any near-term risks.

They predict that the combination of corporate and household tax cuts will raise growth by up to half a percentage point annually for the next couple of years, and help keep unemployment at near record lows and thus perhaps raise wages.

In addition, depending on how companies respond in terms of increased investment, the plan might raise long-run potential growth by a small amount.

What they do not see is any great risk that the tax stimulus will fuel inflation or a run-up in asset prices that would prompt the Fed to raise interest rates any faster than it already plans. Though not an endorsement of the legislation, it is an important sign the Fed will not stand in its way.

"I don't feel any urgency to do something preemptively," Federal Reserve Bank of Cleveland President Loretta Mester said in an interview with Reuters on the sidelines of the American Economic Association annual conference in Philadelphia.

Mester has been among those more inclined to lift rates from crisis-era levels, but sees no reason to rush because of the tax overhaul, which she predicts will raise annual growth as much as a half a percentage point for the next few years.

The Federal Reserve's most recent economic projections forecast three interest rate rises in 2018. Market pricing currently indicates two.

Some private-sector economists recently penciled in four rises, partly because of the tax plan's impact and how it might affect the Fed.

Central bankers, however, seem poised to stick with their current plans, confident that inflation will stay tame and that the recent record run on US stock markets is largely the result of economic fundamentals, not dangerous speculation.

The view is not universal, with some officials cautioning that the corporate tax cut in particular may be funneled into share buybacks or other financial maneuvers that could drive asset prices to unreasonable levels. The increase in the deficit is also a long-term concern.

But the overall wait-and-see stance was implicit in the policy statement and economic projections the Fed issued in December after it raised its target interest rate.

Policymakers upped their forecast for economic growth at the time but held steady their expectation on rate rises.

The tax cuts will kick in just as the Federal Reserve transitions to a new leadership, with former banker Jerome Powell taking over from Janet Yellen, who over four years as Fed chair focused on lowering the jobless rate in hopes of healing household finances after the 2007-2009 financial crisis and recession.

With the fiscal stimulus, some policymakers say the unemployment rate could now drop as low as 3.5 percent next year, in what World Bank Chief Economist Paul Romer said amounts to an important "experiment" in determining just how low unemployment can go in a post-crisis, low-inflation world.

"The balance of risks right now suggests that it would be a good idea to experiment with pushing employment a lot harder," Romer said in Philadelphia.

The unemployment rate is currently 4.1 percent, well below the 4.5 percent to 5 percent level that standard economic models say should lead to higher inflation. But so far, inflation remains tame.

HSBC

Stéphane Nordé, managing director of Nestlé Bangladesh, and Francois de Maricourt, CEO of HSBC Bangladesh, attend a deal signing ceremony on Buyer Approved Invoice Finance (BAIF). The bank will provide Nestlé's suppliers access to more competitive financing through BAIF.

Tabarak Hossain

Prime Bank DMD promoted

STAR BUSINESS DESK

Md Tabarak Hossain Bhuiyan has recently been made additional managing director from deputy managing director of Prime Bank.

Tabarak worked in different capacities such as head of human resources and marketing division and as CEO of Prime Bank Investment Ltd and received the best performing manager award in 2012 while in Banani branch, the bank said in a statement yesterday.

He obtained his MBA from North South University and received Chancellor's Gold Medal for his outstanding performance.

He also obtained his M Phil degree from the marketing department at the University of Dhaka.

Nvidia partners with Uber, Volkswagen in self-driving technology

REUTERS, *Las Vegas*

Nvidia Corp will partner with Uber Technologies Inc and Volkswagen AG as the graphics chipmaker's artificial intelligence platforms make further gains in the autonomous vehicle industry.

The company, which already has partnerships in the industry with companies such as carmaker Tesla and China's Baidu, makes computer graphics chips and has also been expanding into technology for self-driving cars.

CEO Jensen Huang told an audience at the CES technology conference in Las Vegas that Uber's self-driving car fleet was using Nvidia technology to help its autonomous cars perceive the world and make split-second decisions.

Uber has been using Nvidia's GPU computing technology since its first test fleet of Volvo SC90 SUVS were deployed in 2016 in Pittsburgh and Phoenix.

Uber's autonomous driving program has been shaken this year by a lawsuit filed in San Francisco by rival Waymo alleging trade secret theft.

Nevertheless, Nvidia said development of the Uber self-driving program had gained steam, with one million autonomous miles being driven in just the past 100 days.

With Volkswagen, Nvidia said it was infusing its artificial intelligence technology into the German automakers' future lineup, using Nvidia's new Drive IX platform. The technology will enable so-called "intelligent co-pilot" capabilities based on processing sensor data inside and outside the car.

So far, 320 companies involved in self-driving cars - whether software developers, automakers and their suppliers, sensor and mapping companies - are using Nvidia Drive, formerly branded as the Drive PX2, the company said.

Nvidia also said its first Xavier processors would be delivered to customers this quarter. The system on a chip delivers 30 trillion operations per second using 30 watts of power.

Bets that Nvidia will become a leader in chips for driverless cars, data centers and artificial intelligence have more than doubled its stock price in the past 12 months, making the Silicon Valley company the third-strongest performer in the S&P 500 during that time.

Quamruzzaman

New DMD for Rupali Bank

STAR BUSINESS DESK

Quamruzzaman Chowdhury has recently been appointed deputy managing director of Rupali Bank.

He has served as general manager and at different divisions of the head office and obtained his BCom (Hons) and M Com degrees in management from the University of Dhaka.

China adjusts import tariffs, VAT for some tech equipment

REUTERS, *Beijing*

China's finance ministry said on Monday it has adjusted import tariffs and value-added tax (VAT) for imports for some technological equipment from Jan 1.

These include nuclear, oil, gas, coal, petrochemical and aircraft equipment, the Ministry of Finance said on its website

IPAY

Md Shahidul Ahsan, chairman of iPay Systems Ltd, and Zakaria Swapan, CEO, attend a programme at the online payment platform's office in Dhaka on Sunday when they announced commencement of the company's operations.

Opec won't react to short-lived supply disruptions: official

REUTERS, *Dubai*

Opec is monitoring unrest in Iran as well as Venezuela's economic crisis, but the group will only boost output if there are significant and sustained production disruptions from those countries, a senior Opec source from a major Middle Eastern oil producer said.

Venezuela's economic troubles have hit the country's oil output, which is at near 30-year lows, but Iran's output has not been affected by a wave of anti-government protests.

Traders said political tensions in Iran, the third-largest producer in the Organization of the Petroleum Exporting Countries (Opec), had pushed prices higher.

Brent crude, the international benchmark, was trading at around $67.52 a barrel, on Monday. Brent hit $68.27 high last week, the highest since May 2015, on Iran tensions.

Saudi Arabia, Opec's de-facto leader, wants to see oil prices above $60 a barrel, to boost the valuation of its national oil company Aramco ahead of an initial public offering (IPO) later this year and to reduce the gap in its state budget, Saudi sources have said.

"Even if there was a supply disruption (from Iran or Venezuela)... Opec will not raise output," the senior Opec source said.

"Opec's policy is to bring inventories down to their normal levels and will stay the course, unless the disruption in supply of something like 1,000,000 barrels per day persists for more than a month, and causes shortages of crude supply to consumers."

Venezuela's dilapidated energy sector is struggling as US sanctions and a lack of capital hobble operations, and its economic crisis threatens to do further harm to the Opec country.

The senior Opec source also said the oil market was on its way to being re-balanced, but so far global oil inventories remained above their five-year average and much more time was needed to drain the oil glut.

"Any change in production limits must be driven by a change in market fundamentals and not just speculations for a short period of time, for Opec to change the output ceiling," he said.

The protests in Iran that began in late December have posed no immediate threat to oil production but there is concern that US President Donald Trump may reimpose sanctions on Iranian oil, which could disrupt oil exports.

Trump must decide by mid-January whether to continue waiving US sanctions on Iran's oil exports under the terms of an international nuclear deal.

Govt may send team to China to speed up signing of deal

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The letter also noted that the project is also part of the BCIM (Bangladesh-China-India-Myanmar) economic corridor.

Also last year, Bangladesh sent a high-powered team to Beijing with a plan to sign the deal with Exim Bank of China by December 2017.

After the communication, China also agreed to ink the deal, and the ERD sent all necessary papers in November.

Seeking anonymity, an official of the railway ministry said the primary work in the project has been carried out, but the ministry has not been able to commence the main work as it is yet to sign the deal.

The special letter added that Prime Minister Sheikh Hasina wishes to inaugurate the train services the same day the Padma bridge opens to traffic.

The rail link project is scheduled to be implemented by 2022, but a portion of it would be completed by December 2018 when the government plans to open the Padma bridge.

Of the eight projects, the loan agreements of $700 million for two projects -- Infosarkar III and the installation of single point mooring with double pipeline -- were inked.

Dollar rally continues

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Bangladesh's import bills have significantly increased in the first five months of the current fiscal year and the existing trend indicates that the payments will swell further in the months to come.

Between July and November, imports jumped 8.25 percent year-on-year to $20.59 billion, on the back of growing purchases of food grains, petroleum products and industrial raw materials from international markets, BB data showed.

Opening of letters of credit posted growth of 91 percent year-on-year to $35.75 billion in the July-November period.

The current account balance recorded a huge deficit in the first four months of 2017-18, reflecting the existing foreign currency shortage, said the BB official.

Between July and September, the current account deficit stood at $3.31 billion, up from $44 million a year earlier, according to data from the central bank.

15pc VAT on all port services to hurt businesses, consumers

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"We already pay duty and VAT to import goods. How many times can one pay VAT on an item? The collection of VAT will increase pressure on both exporters and importers," said Alam.

"Ultimately, the burden will fall on the end users as it will increase our production cost," he said, adding that it would not be rational to impose the VAT.

Mohiuddin said Chittagong port is costlier than Bangladesh's competing countries and its services lagged far behind.

"It is good that they (CPA) fare well with limited resources. But service standard remains at lower level," he said, citing that two out of four existing gantry cranes were out of operation.

He said business operation costs of apparel exporters increased 18 percent in the last two years while prices of clothes declined about three to four percent.

"Besides, our local currency has not devalued (against the US dollar) to the extent the currencies of our competing countries," he said.

Mohiuddin said efficiency of the port should increase by modernising and enhancing its facilities to improve the country's competitiveness.

"The job should be to create facility, minimise cost and introduce modern systems to provide services," he said.

But a sudden imposition of VAT will stoke inflation and increase pressure on businesses and consumers, he said.

"This needs to be adjusted timely and chronologically and adjustment becomes acceptable to people when they get facility," he said, suggesting that the authorities take decisions based on discussions with all the port users, including apparel-makers.

Prof Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue (CPD), said ports particularly the Chittagong port suffer from lack of efficiency.

"And cost of exporters and importers rises owing to the inefficiency. Efficiency should be improved so that cost of doing business is reduced and the government gets its due revenue," he said.

CPD Research Fellow Towfiqul Islam Khan said expansion of the VAT net would certainly bring additional revenue for the NBR.

"However, this means, at the end additional costs will have to be paid by the consumers. It needs to be carefully monitored so that the consumers are not disproportionately penalised. This will also marginally increase the cost of production for exporters," he said.

CPA Member (Finance) Md Kamrul Ameen said they are yet to start collecting the VAT from all services.

The move involves a large number of stakeholders, for which the Ministry of Shipping will be informed beforehand through a letter as businesses might object, he added.

"But we have already taken steps to collect the money. The VAT will be collected as this is a government decision and we do not have scope to go beyond that," he said.

Mohammad Golam Mostofa, member for finance of Mongla Port Authority, said they were yet to receive a letter from the NBR. "We will take steps once we get the letter," he said.

Novoair completes 5 years of operations

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He said the company's commitment in the sixth year will be to ensure safe passenger services by adding more aircraft to its fleet and expand domestic and international destinations.

Novoair has so far operated more than 33,000 flights and served around 15 lakh customers on domestic and international routes with a remarkable 97.57 percent on-time performance, the airline said.

Currently, Novoair operates daily flights from Dhaka to Chittagong, Cox's Bazar, Jessore, Sylhet, Saidpur and Kolkata, with its four ATR 72-500 aircraft.

The company said new aircraft will join its fleet soon.