

US Fed's Powell defends policy of gradual interest rate hikes

REUTERS, Jackson Hole

Federal Reserve Chairman Jerome Powell on Friday defended the US central bank's push to raise interest rates as healthy for the economy and signalled more hikes were coming despite President Donald Trump's criticism of higher borrowing costs.

The Fed, which began to tighten monetary policy in 2015, has raised rates twice this year and is widely expected to do so again next month and in December.

Speaking at a research symposium in Jackson Hole, Wyoming, Powell said he wanted to "explain today why my colleagues and I believe that this gradual process ... remains appropriate."

"The economy is strong. Inflation is near our 2 percent objective, and most people who want a job are finding one ... If the strong growth in income and jobs continues, further gradual increases in the target range for the federal funds rate will likely be appropriate."

Powell made no mention of Trump's criticism of the Fed's monetary policy. In an interview with Reuters on Monday, Trump said he was "not thrilled" with Powell's Fed for raising rates and said the central bank should do more to help boost the economy.

In his speech, Powell simply made the case that gradual rate hikes are the best way to protect the US economic recovery and keep job growth as strong as possible and inflation under control.

The benchmark S&P 500 index and the Nasdaq Composite hit all-time highs after Powell's



REUTERS

Federal Reserve Chairman Jerome Powell (R) speaks with New York Fed President John Williams and Kansas City Fed President Esther George (L) at the Kansas City Fed's annual Economic Symposium in Jackson Hole, Wyoming, US on August 24.

speech while the dollar weakened against a basket of currencies. Traders of interest rate futures kept their bets on rate hikes in both September and December.

The Kansas City Fed's annual conference here in Grand Teton National Park is among the central bank's higher profile annual events, drawing international media attention and an audience including representatives of other nations' central banks.

Trump is "fuelling the economy with fiscal stimulus and then asking that you don't tighten interest rates, but the Fed is normalizing monetary policy, not really tightening - it's accompanying the recovery and lifting rates up to the point where they are

neutral," Laurence Boone, the chief economist of the OECD, said on the sidelines of the conference.

"Financial conditions are very good, and (Powell) is tightening in line with those trends," Boone said.

Antoinette Schoar, an economist who teaches at the MIT Sloan School of Management, said the Fed should remain "above the fray." "Fed policy should not have anything to do with politics," said Schoar, who is also attending the Jackson Hole conference.

Fed funds and eurodollar futures prices indicate financial markets expect only one rate hike next year, leaving rates in a range of 2.50 percent to 2.75 percent by

mid-2019, up from the Fed's current target of 1.75 percent to 2.00 percent.

Fed policymakers forecast three rate hikes for next year in their most recent projections, published in June.

Not all of the central bank's policymakers, however, are on board with Powell's plans.

St. Louis Fed President James Bullard said earlier on Friday he'd prefer a pause on the rate hikes, given that the economic stimulus from the Trump administration's tax cuts and a budget agreement that boosts government spending will likely fade next year.

Other policymakers present in Jackson Hole this week have flagged what they see as the risks

from Trump's trade policies, which have led to tit-for-tat tariffs with China, the European Union, Canada and others.

Two days of talks between Washington and Beijing ended on Thursday with no major breakthrough as their trade war escalated with activation of another round of dueling tariffs on \$16 billion worth of each country's goods.

The research theme at the Jackson Hole conference this year involves change in market structure, and Powell used that topic to elaborate on why shifts in concepts like the level of "full employment" and the neutral rate of interest justify gradual rate increases.

He said the Fed's mistakes of the past, such as a misestimation of full employment that allowed inflation to take off in the 1970s, mean the central bank today should not assume its current estimates of those economic variables are precise.

The Fed "has been navigating between the shoals of overheating and premature tightening with only a hazy view of what seem to be shifting navigational guides," Powell said.

With unemployment so low, "why isn't the (Federal Open Market Committee) tightening monetary policy more sharply to head off overheating and inflation? With no clear sign of an inflation problem, why is the FOMC tightening policy at all, at the risk of choking off job growth and continued expansion?"

The resolution, he said, is to move carefully.

China to discuss 'top notch' free trade deal with Britain

REUTERS, Beijing

China and Britain have agreed to look at the possibility of reaching a "top notch" free trade agreement after Britain leaves the European Union, China's Commerce Ministry said on Saturday after talks with British trade minister Liam Fox.

Britain has pushed a strong message to Chinese companies that it is fully open for business as it prepares to leave the EU next year, and China is one of the countries with which Britain would like to sign a post-Brexit free trade deal.

Last month, China offered Britain talks on such a deal. In a statement released after Friday talks between Fox and Chinese Commerce Minister Zhong Shan in Beijing, the Chinese Commerce Ministry said they had discussed how to boost two-way investment and expand trade in services.

The two countries also agreed to "actively explore the possibility of discussing a top notch free trade agreement between the two sides after Brexit", the ministry added, without giving details.

While a trade pact with China would be a political win for Britain's government, formal talks cannot begin until it officially leaves the EU. Free trade talks typically take many years to conclude.

Other areas Zhong and Fox talked about included legal services cooperation and making work visas easier, the ministry said.

Zhong added that he hoped Britain would use the opportunity of a major import fair in November in Shanghai, which President Xi Jinping is overseeing, to expand its exports to China, the statement added.

It cited Fox as saying he would be leading Britain's delegation to the import fair, along with Prince Andrew, a senior member of Britain's royal family.

Fox said on Tuesday that Britain aims to boost exports to 35 percent of gross domestic product after leaving the EU as it looks to increase trade ties with the rest of the world, but he gave no timeframe for reaching the target.

Fox, a prominent Brexit supporter, has spent much time over the last two years touring the globe promoting the merits of post-Brexit Britain as a trading partner and holding preliminary talks ahead of possible future trade negotiations.

Import vessel refuses to berth for unpaid bills

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The vessel was carrying imported goods of leading business conglomerates, including BSRM, Abul Khair Group, Bashundhara, PHP Group along with Unilever and several garment manufacturers.

Later the vessel's owner and charterer agreed to discharge the goods when the local agent urged the two to do so first and then settle the dispute.

The ship finally discharged the containers on August 23 and left the jetty the next day.

Vessels usually have to wait at the outer anchorage for berth due to container congestion, said Imtiaz Chowdhury, head of supply chain at BSRM Group that brought in 50 containers of raw materials for steel manufacturing.

"But this time the problem was not at the port's end. Rather the delay was caused due to internal payment problems of the vessel, which is unexpected. The importers are the ultimate losers." "The delay in getting delivery of the raw materials hampered our steel manufacturing factory's daily production," he said.

GP, Banglalink to get new number series

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The second largest operator, coming from the merger of Robi and Airtel in November 2016, is already enjoying a competitive advantage from a marketing perspective with its two 018 and 016 number series.

The two series account for 4.53 crore active numbers as of July, according to the BTRC.

The National Numbering Plan has 10 prefixes for mobile operators, of which 010, 012, 013 and 014 were available before the recent decision was taken.

Teletalk is using 015 and Citycell, which has gone out of operations, has 011.

Impact of Eid-ul-Azha on economy

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Of the sum, about Tk 25,000 crore were generated by the cattle trade and the remaining Tk 15,000 crore through the sales of commodities, refrigerators, freezers and furniture as well as the spending on transportation and tourism, he said.

"Eid creates demand and increases the cash flow in the economy," said Mansur, adding that salaried employees who receive festival bonuses create a positive impact in the economy.

Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue, another think-tank, said the festival is generating a remarkable dimension in the economy. "Spending is not just limited to cattle buying and sales; rather, it has gone beyond that as consumers spend more to buy freezers, furniture, clothes and footwear and on holidaying," he said.

According to the researcher, the spending in the run-up to Eid has been growing over the years as people's purchasing power is increasing both in rural and urban areas.

Abdul Majid, a former chairman of the National Board of Revenue, has been analysing the Eid economy for the last few years and found that consumers' spending on the occasion of Eid has grown significantly over the years.

He estimated that about 78 lakh cows, buffalos, sheep and goats were sacrificed in 2017. The number would be around 90 lakh this year.

Money is also generated in the way of collection, storage and processing of the hides of cattle, he said.

Shipbuilding thrives on domestic demand

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"There will be no shortage of work if the government's plan is implemented properly."

The government is currently implementing a host of mega infrastructure projects such as the Rooppur nuclear power plant, Padma bridge, Padma rail link and metro rail, in order to give a fillip to trade and commerce and boost the economy now growing at more than 7 percent annually.

MA Rashid, managing director of Karnafuly Ship Builders Ltd, said domestic demand for ships has risen because an increased number of vessels is required to transport coal, oil, and other items as existing vessels are inadequate to meet the requirement.

He said almost all the large business groups are building ships.

Apart from the private sector, the government is also making vessels. Rashid's firm is making

112 dredgers and dredger related vessels.

"Our future is very bright if we can maintain international standards in making ships," he said. "For this, we will have to win the confidence of foreign buyers."

Md Mustafizur Rahman, deputy managing director of Bashundhara Group, said the group is making a couple of coastal vessels in its own shipyard to carry its cargoes from vessels at ports.

He said highways, particularly the Dhaka-Chittagong one, have become very congested and the load restriction on trucks has made the transportation through roads less attractive.

"On the other hand, the river route is faster and economical and we have plans to move 100 percent of our cargoes through waterways in future," he said.

The Meghna Group of Industries (MGI), a leading commodity

importer and processor, is making 30 vessels to transport goods for its concerns operating in the cement, steel, paper, power, edible oil, flour, sugar and chemical sectors. The Meghna Shipbuilders & Dockyard Ltd, a concern of the MGI, has built 46 vessels so far.

"We usually see a lot of traffic jam on roads and there is also a lot of hassle to transport cargoes by roads. In contrast, a huge quantity of cargoes can be transported through rivers. This is economical too," said Md Nurul Islam, deputy general manager of Meghna Shipbuilders.

M Shabbir Ali, director for group human resources of City Group, said the importer and processor of commodities is building 25 ships at Khan Brothers Shipbuilding Ltd, which it bought one and a half years ago.

"We are making the vessels to meet our own demand," he said.

Shelved Aramco IPO hits at heart of Saudi prince's reforms

REUTERS, Dubai/Riyadh

Saudi Arabia's decision to shelve what was billed as the biggest share sale ever is a major blow to the credibility of Crown Prince Mohammed bin Salman but there are other ways to finance reforms to strengthen the economy, bankers and investors say.

The initial public offering (IPO) of 5 percent of state-owned oil giant Saudi Aramco was a centrepiece of the crown prince's plan to diversify the kingdom's economy beyond oil by raising \$100 billion for investment in other sectors.

The 32-year-old ruler, widely known as MBS, also promised that listing Saudi Aramco on international stock markets would help create a culture of openness in the secretive kingdom and make it more appealing to foreign investors.

The decision to shelve the IPO raises doubts about the management of the process as well as the broader reform agenda, sapping the momentum generated by Prince Mohammed's dramatic 2030 Vision announcement in 2016 that helped propel him to power in the world's top oil exporter.

"The problem is: the more it gets delayed and the more there's not clarity on why it's getting delayed and what the issues are, the more it undermines confidence," said James Dorsey, a senior fellow at

Singapore's S. Rajaratnam School of International Studies. "He's been very good at creating expectations but not as good at managing expectations," said Dorsey.

Industry sources told Reuters this week that both the international and domestic legs of the IPO had been postponed indefinitely. Energy Minister Khalid al-Falih said the government remained committed to conducting the IPO at an unspecified date in the future.

"The reform process has to be judged on its entirety and over a period of years but this will negatively affect perceptions of its credibility overall, considering that the IPO was promised in such high-profile terms," said Richard Segal, senior analyst at Manulife Asset Management www.manulifeam.com in London.

Prince Mohammed launched

his Vision 2030 programme with promises to fundamentally transform Saudi Arabia's economy and open up its people's cloistered lifestyles. He has implemented a series of high-profile reforms, including ending a ban on women driving and opening cinemas in the conservative kingdom.

But those moves have been accompanied by a harsh crackdown on dissent, a purge of top royals and businessmen on corruption charges, and a costly war in Yemen now in its fourth year.

The crown prince's increasingly aggressive stance towards arch-rival Iran and in relations with supposed friends such as Canada and Germany has unnerved allies and investors alike.

"The Aramco IPO was supposed to be an example of a new global level of

transparency. Perhaps because there's so much going on and so little explained, it looks like they've gotten worse at transparency," said a former senior Western diplomat.

But some bankers said the reform programme was far bigger than the Aramco IPO and, despite the possible political fallout, many changes could still go ahead, or even accelerate, now that senior officials are no longer preoccupied by listing Aramco.

"The reality is there is a lot of other stuff that the authorities could do before doing this huge move of the Aramco IPO," said a senior banker whose institution pitched to help arrange the sale.

Riyadh's circumstances have improved greatly since plans for the IPO were first announced in 2016.

Oil was about \$35 a barrel at the time and the government was desperate for cash. Oil prices have more than doubled since and the state budget deficit has narrowed sharply, so Riyadh has more room to find other ways to finance projects.

MSCI and FTSE Russell decided this year to add Saudi Arabia to their emerging market equity indexes, so even without the IPO the kingdom can expect an inflow of \$20 billion or more of foreign funds next year.

Meanwhile, the authorities are proceeding, slowly, with other reforms to attract foreign direct investment (FDI).

Robi continues to make losses

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The ARPU stood at Tk 117 at the end of the second quarter, from Tk 132 in the same period a year ago and Tk 135 in 2016.

The operator attributed the loss, among other reasons, to the extensive investment it has made in expanding the network.

The operator has set up more than 7,000 faster data sites covering 532 out of the country's 544 thanas since getting the 4G

licence in February this year.

Robi invested Tk 550 crore as capital expenditure in April-June.

In the quarter, the company contributed Tk 660 crore to the government exchequer in taxes and revenue share.

Since inception in 1997, Robi has paid more than Tk 22,570 crore to the exchequer and remitted Tk 290 crore in dividends to its shareholders.

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