

## ICAB gets new president



AF Nesaruddin  
STAR BUSINESS DESK

AF Nesaruddin has been elected president of The Institute of Chartered Accountants of Bangladesh (ICAB) for 2019. The institute also elected NKA Mobin, Md Salim Uddin and Md Moniruzzaman as vice presidents. The new office bearers were elected by the ICAB council members shortly before the institute's 46th annual general meeting chaired by outgoing president Dewan Nurul Islam at the ICAB auditorium in Dhaka yesterday, says a statement. Nesaruddin is a senior partner of the Hoda Vasi Chowdhury & Co. He is an independent director and chairman of the audit committee of Singer Bangladesh Ltd and nominated director of the board of United Finance Ltd.

# Fed could rethink rate hikes as trade wars drag on economy

AFP, Washington

The US central bank sent a strong signal on Friday that it would be willing to reconsider expected interest rate hikes amid new data showing President Donald Trump's multi-front trade wars are dragging on the economy and shaking up investors.

The message, from the senior Federal Reserve official with the closest links to US financial markets, sent the Dow Jones Industrial Average surging 300 points. But the index later turned negative once again, and closed with yet another steep decline, its worst week in 10 years.

"I think we are hearing something important for markets and that is a concern around risks to the economy and potential slowdown," New York Federal Reserve Bank President John Williams said Friday on CNBC.

He stressed that the Fed is listening to the fears about the risks and will "be ready to reassess and re-evaluate our views and our policy stance."

It was a remarkable comment coming just two days after the Fed raised the key borrowing rate on Wednesday and signaled it will continue to hike next year, albeit at a slower pace, with only two increases projected.

Economist Chris Low lambasted the Fed's "epic post-meeting communications bungle," and cited the "glaring omission" of the Fed failing to recognize a global manufacturing slowdown, and continuing to believe the labor market is the main factor behind inflation.

The Fed has continued to forecast strong growth, which would support their case for tightening monetary policy, but the expected inflation spurt and rise

in wages have not materialized.

New data Friday showed the Fed's preferred inflation index slowed to 1.8 percent in November, below the central bank's target.

"It's hard to imagine anyone would think it's acceptable to signal three rate hikes when inflation is below target," Low said, noting the Fed forecast see two hikes in 2019 and one in 2020.

tried to correct the market impression that two interest rate increases are set in stone for next year, highlighting a slight change of language in the policy statement issued Wednesday.

The Fed's November statement said rate increases were expected, while now it "judges that some further gradual" hikes are in store, which Williams said "is not a commitment or promise in any way."

"Clearly the Fed is changing its tone and it's getting a little more dovish following the market reaction this week," said Adam Sarhan of 50 Park Investments.

"The Fed is blinking."

Of course there were many who criticized the Fed for not raising interest rates fast enough in the past two years.

While the Fed continues to forecast solid growth, new government data released Friday revealed that falling exports and slower consumer spending and business investment are putting the brakes on economic growth in the second half of the year, while inflation is again falling.

US growth in the July-September quarter was slightly slower than previously reported, at 3.4 percent, dragged down by the large drop in exports, the Commerce Department reported.

With hundreds of billions of dollars in

goods hit by retaliatory tariffs, US exports fell by the largest amount since early 2009 at the height of the global financial crisis, according to the report, the third and final reading on third quarter GDP.

Trump's aggressive trade policies, and especially the tariff retaliation from China, has impeded exports, with soybean sales nearly grinding to a halt. The strong US dollar also has made American goods more expensive.

The dispute with China, even with a ceasefire declared until March 1 for negotiations, has created fears of slowing US and global growth, and caused stock markets to retreat, with Wall Street wiping out all of the 2018 gains.

White House trade advisor Peter Navarro helped fuel the Wall Street downturn Friday with more headline comments about China in an interview with Nikkei, saying Beijing is "trying to steal the future."

He also said two rate hikes by the Fed would be "two too many."

"We don't understand why the Fed is acting so contractionary, at a time when there's no inflation to worry about."

Gregory Daco of Oxford Economics said the data added to "evidence that business investment momentum continues to gradually cool."

Other data show fourth quarter growth is shaping up to be even more sluggish.

Purchases of durable goods -- big ticket items like appliances, vehicles and machinery -- rose in November compared to October, but much less than expected. That follows a big drop in October, and will drag on GDP in the final quarter of 2018.



MASTERCARD

Syed Mostahidul Hoq, managing director of e-commerce platform Daraz Bangladesh, and Syed Mohammad Kamal, country manager at Mastercard Bangladesh, pose with winners of a "Win Trip for two to Singapore" campaign promoting Mastercard payments on Daraz at a programme in Dhaka recently.

## Wheat acreage may shrink

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The government bought one lakh tonnes of locally grown wheat in 2017. This year, it did not procure any, according to the food ministry.

"Cultivation of wheat is slowly being discouraged. One of the main reasons is the risk of crop loss for blast (fungal disease) attack," said a senior official of the DAE seeking to remain unnamed.

In contrast, the government is encouraging maize cultivation to increase production by providing incentives such as seed and fertiliser to growers, he added.

Last year, the average yield of winter maize per hectare was 9.11 tonnes whereas it was 3.28 tonnes for wheat, according to the DAE.

Barma said the production target of maize for this fiscal year has been set at 50 lakh tonnes.

## DCCI elects top brass



Osama Taseer

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Osama Taseer has been elected president of the Dhaka Chamber of Commerce & Industry (DCCI) for 2019.

The chamber also elected Waqar Ahmad Choudhury and Imran Ahmed as senior vice president and vice president respectively.

The new board of directors took charge at the DCCI's 57th annual general meeting at its auditorium in the capital yesterday, the chamber said in a statement. Taseer is the chairman of Four Wings Limited, an export-oriented garment industry.

He also served the chamber as senior vice president in 2014. He completed his higher education in electrical engineering from Aligarh Muslim University.



BANGLADESH KRISHI BANK

Md Ali Hossain Prodhania, managing director of Bangladesh Krishi Bank, speaks at a divisional conference and bilateral review meeting-2018 with the bank's Dhaka division borrowers in the capital yesterday.

## Dollar rallies from post-Fed losses as US shutdown likely

REUTERS, New York

The dollar gained on Friday as investors sought the currency's safety amid persistent equity market volatility and a possible U.S. government shutdown.

The dollar had fallen two straight days after the U.S. Federal Reserve on Wednesday flagged fewer interest rate hikes for the next two years.

The safe-haven Japanese yen gained versus the dollar on overall market anxiety. On the week, the yen had its best weekly performance in percentage terms since February.

U.S. President Donald Trump conceded on Friday there was a good chance the Senate would not approve his demand for \$5 billion toward funding his border wall project and a government shutdown would probably begin at midnight. The news

undermined Wall Street shares, with the S&P 500, already on pace for its worst December since the Great Depression, hitting its lowest since August 2017. The Dow Jones industrial average fell to its weakest since October 2017, while the Nasdaq sank to a 15-month low, flirting with bear market territory for a second day in a row.

"It's not clear at this stage whether President Trump would agree to a continuing resolution to temporarily fund the government, or would instead seek a government shutdown, which would go into effect at midnight tonight," said Nick Bannenbroek, currency strategist at Wells Fargo Securities in New York. He added that if the shutdown goes into effect, he expects the dollar to continue its bounce next week. US economic reports on Friday were mixed and had minimal impact on the dollar.

## Local TV channels using Bangabandhu-1 satellite

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Mahmood said TV channels incurred some costs to run their uplink and downlink stations. The BCSCCL will allow new television stations to run the service from a single point, helping to save Tk 5 crore.

Fifteen more television channels are set to begin commercial operations in the country.

The satellite was launched in May this year under a project costing Tk 2,765.66 crore, allowing Bangladesh to enter the elite space club of 57 nations who have sent satellites into orbit.

The BCSCCL has also signed a deal with the country's first direct-to-home company RealVU, which is testing programmes aired by 48 local and international channels through Bangabandhu-1.

"We are very close to finalising deals with a few companies from the Philippines as well as place where our satellite has a strong footprint," said Mahmood.

He said the BCSCCL's international consultant Thaicom, a renowned satellite company of Thailand currently active in about 20 countries, was working intensively and some new business deals would be on the table within a short time.

"We have lots of challenges in formulating the process of running the satellite

company as it is a very new kind of technology and business to us. It also took time to get the key of the satellite."

On November 9, the BCSCCL took over control of the satellite from its manufacturer Thales Alenia Space.

To help the company run smoothly and take decisions faster, the government has formed a high-powered committee headed by the principal secretary to the Prime Minister's Office.

The committee includes five senior secretaries, the chairman of the Bangladesh Telecommunication Regulatory Commission (BTRC) and the BCSCCL chairman.

Besides, the telecom regulator has already made it mandatory for new television channels to take bandwidth from the state-owned satellite to ensure optimum use of Bangabandhu-1's capacity.

"If the BCSCCL fails to provide the bandwidth they need, only then can they avail services from other satellites," said Md Jahurul Haque, acting chairman of the BTRC.

The BCSCCL has penned preliminary agreements with some government offices and will ink deals with two VSAT companies soon to provide uninterrupted connectivity to banks.

savings tools stood at Tk 17,829 crore, according to data from the Department of National Savings.

Some banks are offering interest rates as high as 7 to 9 percent on their several fixed deposit products, backpedaling on the decision taken by the sponsors of private banks to keep the rate at 6 percent, said a banker.

The interest rate on national savings instrument ranges from 11.04 percent to 11.76 percent.

## Accord hands over 100 refurbished factories to local agency

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Last week, the government set eight conditions for the extension of the tenure for six months.

As per the conditions, the Accord will hand over the factories to the RCC in the final extended tenure and will not be able to sever business ties with any companies.

The Accord and its signatories will follow a common standard of safety inspection and the agency will not conduct any duplicate inspection with the Alliance.

The Supreme Court last week fixed January 21 for hearing on the Accord's plea seeking extension. The court deferred hearing on the plea four times since November 29.

In May, the government extended the tenure of the Accord for six months to November 30.

## India cuts tax rates on some goods under national sales tax

REUTERS, New Delhi/Mumbai

India slashed the sales tax rate on over 20 items on Saturday in a move aimed at appealing to traders and the middle class after Prime Minister Narendra Modi's ruling party lost elections in five states.

Modi is seeking a second term in next five months amid voter frustration over the abrupt implementation of a nationwide goods and services tax (GST) in July 2017 that has resulted in job losses for thousands of workers in small businesses.

The GST council, headed by India's finance minister Arun Jaitley, agreed to lower the tax on some goods including televisions, batteries and movie tickets.

The council cut tax rates on six items from the highest tax rate of 28 percent to 18 percent and on one item - wheelchairs and parts - to five percent.

Most other items saw tax rates cut from 18 percent to 12 percent and five percent.

The council has so far taken more than 190 items, including washing machines and leather goods, out of the highest tax rate. Only 34 items - particularly luxury goods - remain in the top slab of 28 percent.

"It is decided to retain sin (such as alcohol and tobacco) and luxury goods in 28 percent bracket. Cement and some auto parts are also still in 28 percent slab," Jaitley told reporters.

# Saudi 2019 budget predictions optimistic

AFP, Dubai

Top oil exporter Saudi Arabia is on course to post a higher deficit and lower economic growth than budgeted, due to a renewed fall in oil prices, economic experts said.

For the kingdom to achieve the objectives set out in its 2019 budget released on Tuesday, oil prices must average at least \$80 (70 euros) per barrel, reports said.

The world's largest crude exporter issued an expansionary budget for next year, projecting record spending based on generous oil revenues, based on a recovery of oil prices from depths plumbed in 2015.

But in the past few weeks, much of the earlier gains in oil markets have been wiped out as prices dived by around 35 percent.

"Saudi Arabia's 2019 budget was premised on optimistic assumptions regarding oil prices that are likely to be disappointed," London-based Capital Economics said in a report on Wednesday.

"We think that oil prices will stay low and our end-2019 forecast for



AFP/FILE

Saudi women withdraw money from an automated teller machine along a main street in the capital Riyadh.

Brent is \$55 a barrel as global oil demand growth weakens," it said.

Saudi Arabia projects a deficit of \$35 billion next year, or 4.6 percent of Gross Domestic Product (GDP), about 32 percent lower than the estimated deficit of \$52 billion for 2018.

Spending is estimated at \$295

billion, the largest in the oil-rich kingdom's history, while revenues -- mostly from oil -- are estimated at \$260 billion, up 24 percent on 2018 estimates.

"The authorities estimate that oil revenues will come in at 662 billion riyals next year which, by our calculations, assumes that oil prices will

average around \$80 a barrel," Capital Economics said.

Saudi Jadwa Investment, an independent think-tank, estimated that oil revenues will come in at least \$9 billion lower than projections, due to the renewed fall in oil prices.

It said this will result in a deficit of \$44 billion, \$9 billion higher than the official projection.

Capital Economics expected the budget deficit to be around double the government's projection at around 10 percent of GDP.

The reports also said that GDP growth next year will be lower than the government's forecast of 2.6 percent -- Capital Economics estimated a rate of 1.3 percent, while Jadwa predicted 2.0 percent.

Saudi Arabia has posted repeated budget deficits since oil prices crashed in 2014, accumulating a combined shortfall of \$313 billion since then.

But it has managed to reduce gradually the size of the annual budget gap, thanks to the recovery of oil prices between early 2016 and October 2018.