US Fed to hold fire as economy ends 2019 on a strong note

AFP, *Washington*

With the strength of the world's largest economy on display at year end, the US Federal Reserve is all but certain to leave interest rates untouched at its final policy meeting of 2019 this week.

While Latin America and Europe are stagnant and China has begun to sputter worryingly, November's blockbuster US jobs report -- which blew past economists' expectations -- underscored the resilience of American labor markets despite headwinds from President Donald Trump's grinding trade war and signs of slower consumer spending.

In that context, the Fed may feel it can take a bow for piloting a Goldilocks economy: one that is just right.

The signs of resilience validate the Fed's decision in October to pause policy after three cuts in the benchmark lending rate this year. Policymakers can now wait to see how the economy performs early in the new year.

Federal Reserve Chair Jerome Powell

The rate-setting Federal Open Market Committee will release its decision at 1900 GMT on Wednesday, along with an updated quarterly economic forecast.

Since the last meeting in October, Fed members have made clear that monetary policy is a in "good place." However a "material change" in their outlook could cause them to move again.

"At this point in the long expansion, I see the glass as much more than half full," Fed Chairman Jerome Powell said in a November speech.

Consumer spending and confidence are strong. The housing market has picked up. Unemployment is still very low as hiring continues. GDP growth slowed in the third quarter but was still better than feared.

Futures markets as of Friday predicted the Fed would leave rates untouched until at least September of next year, when another cut could occur.

The odds of a recession within the next 12 months, according to the New York Federal Reserve Bank, have also begun to decline (though they are still pretty high at about one in three).

The outlook could change dramatically depending on what happens to the trade conflict with China. If Washington and Beijing manage to seal a partial trade deal and at least cease hostilities, an end to uncertainty could give businesses a sharp boost.

Economist Diane Swonk of Grant Thornton told AFP an apparent truce in the China trade war seemed to have lightened the mood among consumers and employers along with a helping hand from the Fed's stimulus.

"There has been this detente that's gone on for more than 50 days," she said. "It doesn't cure the situation and the uncertainty but at least you're not adding insult to injury which allows the consumer to move forward." "The tipping point really is, you know whether or not we get some kind of phase one deal," she said.

Trump announced a deal in October but which still has not yet been signed, although more positive signals have trickled out.

As the summer came to an end, the Fed slashed lending rates, spooked by a slackening economy and the slow burn of a trade war that took several turns for the worse as the acrimony between Washington and Beijing mounted.

Those days were "far from dull," Powell said in the November speech, recalling queasy moments this year as manufacturing fell into recession, business investment tanked, exports sank and job creation figures were revisedsubstantially downward.

Even amid more positive data, those dark spots in the economy have mostly persisted. Adjusted for inflation, consumer spending in October was the weakest since February. Economists warned that pressure on the Fed to resume cutting could return.

Rubeela Farooqi, chief US economist at High Frequency Economics, told AFP she expected GDP growth could slip below two percent at the end of 2019 and into the first quarter of 2020.

"If that actually happens and you see other spillover effects, I think the FOMC will probably need to ease further in the first quarter of next year," she said.

MIDAS

Anjan Chowdhury, chairman of the Micro Industries Development Assistance and Services (MIDAS), presides over the entity's 27th annual general meeting at its head office in Dhaka on Saturday. The directors' report and annual audited accounts for 2018-19 were adopted while auditors appointed for 2019-20 and board members elected. Directors Rokia A Rahman, SM Al-Husainy, Parveen Mahmud, Sabina Alam, Bazlur Rahman Khan, Abdul Karim, Zahida Ispahani, M Hafizuddin Khan, Ali Imam Majumder and SM Akbar and Managing Director ASM Mashi-ur-Rahman were present.

VW's German plants need to shape up, says production chief

REUTERS, *Berlin*

Volkswagen's German plants need to boost efficiency to match overseas operations, production chief Andreas Tostmann was quoted as saying, targeting 2 billion euros ($2.2 billion) in savings by 2023.

German carmakers, including Volkswagen's Audi brand, have announced thousands of job cuts in recent weeks to address an expected 5 percent drop in global auto sales this year, with declines likely to spill into 2020.

"The pace of improvement is better abroad. In Germany, despite all the successes we've achieved, we have to do better," Tostmann told trade journal Automobilwoche.

Tostmann wants to implement the savings in the production of VW branded cars through a bundle of measures on top of automation, including a leaner logistics operation.

NBR to hunt down non-filers of tax returns

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The number of VAT returns was 105,000 against 112,000 entities with VAT registration.

Falling imports and exports, prevalence of various exemption such as the 93 percent waiver on supplementary duty on liquefied natural gas import, and reduction of receipt from cigarettes, the biggest source of indirect tax, resulting from declining smoking for high prices, affected the collection.

Besides, the scope to adjust advance tax with total payable VAT and avail refund as well as full rebate benefit on electricity, gas and utility bills affected the overall collection, Bhuiyan said.

He, however, said the overall collection would soar in the second half of the fiscal year because of increased deposits of VAT and higher collection of VAT at source.

The NBR will start installing electronic cash registers, termed as electronic fiscal devices (EFDs), from this month at large retail and wholesale stores as the first consignment of the equipment arrived at the Chattogram port.

The NBR earlier placed an order to a tenderer to buy 100,000 EFDs for setting the devices at shops to monitor transactions at trading level.

Primarily, 10,000 EFDs would be supplied and installed at shops and successful installation would follow the supply of the rest of the EFDs, he added.

The NBR also has plans to buy 100,000 more EFDs and increase the number gradually.

"We expect installation of half of the total purchase."

Bhuiyan, however, said installation of the EFDs would not boost revenue collection substantially as VAT from trading stage accounts for 3 percent of the total annual VAT collection.

Large taxpayers, various industries and services sector provide 80-90 percent of the total collection and dependence on large firms will remain high even after installation of the EFDs.

He said collection of trade VAT may increase to 10-15 percent of the total collection.

Responding to a query on whether stores would be given the EFDs for free, he said the machines would be provided at a price and the money would be realised gradually from traders.

FBCCI's comment unfortunate

Responding to a question on Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) President Sheikh Fazle Fahim's criticism of the NBR's role, Bhuiyan said: "I do not find any interpretation of why he said so."

At the inauguration of the 'Ceramic Expo Bangladesh 2019', Fahim criticised the chairman and officials of the NBR, saying they lack efficiency.

The NBR holds a lot of meetings with trade bodies to listen to the concerns and views of local industries ahead of the preparation of the budget.

And it usually imposes duty to discourage imports of consumable items in order to support domestic businesses although there are suggestions to liberalise trade, he said.

No other countries collect so high an amount of tax from customs, he said, citing that customs duty accounts for 28 percent of the total revenue collection.

"We are allowing capital machinery import at only one percent tariff and industrial raw materials at 5 percent to facilitate local businesses," he said, adding that the garment industry gets a host of tax benefits, including low tax at source of export.

"I heard a lot about the issues of businesses in the last two years. Even after the budget declaration, we relaxed rules, particularly related to VAT. If they complain about harassment even after all of these, this would be very unfortunate," he said.

Stocks tumble to 37-month low

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Moreover, the local currency's depreciation against the greenback also hurt their investment, he added, saying, "So the market tumbled."

Ali Xahangir, chief executive officer of amarstock.com, a website that provides technical analysis on market movements, said the market was falling due to the same two reasons -- confidence crisis and shortage of funds.

However, with yesterday's fall taking the index to a new low, technical analysis cannot predict where it would stop. Now the market needs some steps which can bring investors' confidence back, he added.

A merchant banker said some banks' ratings were downgraded by the Moody's which impacted the financial sector. As the banking sector is one of the big sectors, it hit the index hard, he added.

Among the major sectors, textile and general insurance fell 2.99 percent, followed by non-bank financial institutions by 2.42 percent, banks 2.10 percent and fuel and power 1.82 percent, according to LankaBangla Securities' daily market analysis.

Turnover, another important indicator of the bourse, also dropped by 19.28 percent to Tk 349.01 crore yesterday.

Of the traded issues, 53 advanced, 273 declined and 27 remained unchanged.

Sinobangla Industries dominated the turnover chart with transactions of Tk 14.63 crore followed by Sonar Bangla Insurance, National Tubes, Daffodil Computers and LafargeHolcim Bangladesh.

Sinobangla Industries was the day's best performer with 10 percent gain while Regent Textile Mills was the worst shedding 14 percent. Chattogram stocks also fell with the bourse's benchmark index, the CSCX, decreasing 137.40 points, or 1.59 percent, to finish the day at 8,485.30.

Losers beat gainers as 186 declined, 37 advanced and 16 finished unchanged on Chittagong Stock Exchange.

The port city bourse traded shares and mutual fund units worth Tk 14.25 crore.

SC clears way for replacing LR Global

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The full bench of the SC's Appellate Division heard both sides before passing the order, he said.

He added that there was no way of holding back the change if the Bangladesh Securities and Exchange Commission (BSEC) and trustee continue to properly carry out the process.

IDLC Asset Management was sought as a replacement for LR Global Bangladesh by two-thirds of the unitholders, and the BGIC on October 31 sought the BSEC's views on it. In figures, some 73 percent of the DBH unitholders and 70 percent of the Green Delta unitholders called for the change.

As per the BSEC mutual fund rules of 2001, two-thirds of a mutual fund's unitholders can change its asset manager.

The LR Global first went to a lower court to stop the change and then to the HC, which put a halt to the process till January 8, 2020. The unitholders then appealed to the chamber judge.

AB BANK

Syed Hammadul Karim, general manager at MetLife Bangladesh, and Abdur Rahman, deputy managing director of AB Bank, exchange the signed documents of a deal yesterday entitling the bank's customers to get up to Tk 10 lakh as insurance benefit.

China crude oil imports hit record high

REUTERS, *Beijing*

China's crude oil imports hit a record high on a daily basis in November, as refiners operated at high run rates to use up annual import quotas.

The world's top oil buyer imported 45.74 million tonnes of crude, equivalent to 11.13 million barrels per day (bpd), according to data released by the General Administration of Customs on Sunday.

That compared with 10.72 million bpd in October and 9.61 million bpd in November last year.

For the first 11 months of 2019, China brought in a total of 461.88 million tonnes, or 10.09 million bpd, up 10.4 percent from the same period last year, the data showed. As the year draws to a close, private refineries, known as teapot refiners, are ramping up output to use up their crude import quotas for the year in order to be able to apply for more quotas next year.

Improve business climate quickly to gain GSP Plus in EU

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Fahrenholtz said Bangladesh has achieved tremendous progress and a high growth rate but a massive amount of foreign direct investment was needed for the sustainability of the growth rate.

"The imports of essential goods need to be cheaper and easier," he said, after the sixth round of the EU-Bangladesh Business Climate Dialogue at the commerce ministry in Dhaka yesterday.

"Progresses are there. No doubt. But we need to move quicker."

More progresses are needed in the areas of overall regulations and registration of foreign companies, trade relations and the tariff sector, the envoy said.

"We need to fight against corruption obviously. The prime minister has begun a campaign against corruption. I think it is very good. This has to be followed through."

"If you move into the middle-income country category, it has to be brought under control."

Fahrenholtz said the government has only 12 months to comply with the conditions for the GSP Plus facility. "It is possible to fulfil the conditions."

"It is a good chance for Bangladesh. We have seen a tremendous progress over the last 20 years and especially over the last five years."

Currently, eight countries enjoy the GSP Plus benefit. The countries are Armenia, Bolivia, Cabo Verde, Kyrgyzstan, Mongolia, Pakistan, the Philippines, and Sri Lanka, according to the EU website.

Rensje Teerink, the EU ambassador to Bangladesh, said FDI plays a key role here and Bangladesh would get EU FDI if the country can ease business climate.

Some very technical issues have already been resolved between Bangladesh and the EU, she said, adding that labour rights have been addressed and more progresses were needed.

Labour and human rights and good governance issues will have to be improved if the country wants to obtain the GSP Plus on becoming a developing country in 2024.

The EU is the largest export destination of Bangladesh. Of the total exports last year, 58 percent was destined for the EU, according to Tapan Kanti Ghosh, chairman of Bangladesh Tariff Commission.

Bangladesh exported more than $23 billion worth of goods to the bloc last year.

Ceramics makers bag export orders worth $5.5m

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Some 500 international delegates and foreign buyers attended the event, up from 150 in 2017. About 120 ceramic companies from 20 countries participated.

Irfan said the manufacturers and exporters got an opportunity to enhance their communication with foreign buyers through the exposition.

This was the second edition of the exhibition that the BCMEA launched in 2017.

The closing ceremony of the showcase took place at the Radisson Blu Water Garden hotel in the capital. Salman F Rahman, private industry and investment adviser of the prime minister, was present.

Currently, there are 60 ceramic companies in Bangladesh with combined investment of about Tk 8,500 crore.

They produce tiles, tableware, and sanitary goods. The sector employs about 5 lakh people, directly and indirectly.

Agriculture lending picks up as seasonal crops raise demand

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Banks have been asked to follow the instruction so that the country can achieve self-sufficiency in harvesting the bulb, he said.

Eight state-run banks – Sonali, Janata, Agrani, Rupali, Bangladesh Krishi, Rajshahi Krishi Unnayan, Bangladesh Development, and BASIC Bank – together disbursed Tk 2,951 crore in farm loans in the July-October period, up 13.17 percent a year earlier.

Farm loan disbursement by private commercial banks went up 13.08 percent to Tk 3,103 crore.

Banks also gave out a good amount of farm loans in November, but the figure has not been published yet, the central banker said. The disbursement trend is still continuing, dispelling the government's concern about the agriculture sector.

Apparel items continue to become cheaper

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The cost of production of apparel during 2014-2018 has increased by 30 percent. Furthermore, minimum wage of the garment workers has increased by 51 percent since December last year.

In a market economy, an increase in production cost without reciprocity in efficiency or value addition would either result in less demand or cheaper price, she said.

The per unit prices fell 2.12 percent in fiscal 2016-17 compared with the previous year and it experienced another fall of 4.07 percent in fiscal 2017-18, according to BGMEA data.

Ahsan H Mansur, executive director of the Policy Research Institute, said Bangladesh has little to do if the international retailers and brands do not want to pay higher prices for garment items as they are buyers.

"However, we have to move up to the value chain of the garment business for better prices," Mansur told The Daily Star by phone.