

Reserve Bank of India Feb rate cut on a knife's edge

REUTERS, Bengaluru
A February Reserve Bank of India rate cut is on a knife's edge, with just under half of economists polled expecting easing at that meeting, and is highly likely by the middle of next year, according to a Reuters poll.

After slashing the repo rate by 135 basis points this year to 5.15 percent, the RBI cited concern about near-term inflation when it took analysts and markets by surprise and kept it unchanged last week, pushing stocks and the Indian rupee lower.

But the central bank acknowledged there was room for further cuts.

With economic growth at its weakest in over six years, 49 percent of economists, 33 of 67, in a snap poll taken after the Monetary Policy Committee's decision, predicted that would be a temporary pause and another cut would come in February.

The others expected no move at the

Feb. 4-6 meeting.

"The MPC has retained its 'accommodative' policy stance, which suggests that this is a pause rather than an end to the loosening cycle," said Darren Aw, Asia economist at Capital Economics.

A firm majority, over 80 percent of economists said the RBI will cut rates by end-June, with the median forecast for a 25-basis point trim to 4.90 percent, and then stay on the sidelines for the rest of the year.

"Timing the next RBI move has become precarious after it chose to abstain from additional front-loading, despite a sharp growth downgrade and below-target inflation forecast with balanced risks," said Abhishek Upadhyay, senior economist at ICICI Securities.

"We suspect higher inflation and fiscal risks could push any further cut to the next fiscal year, perhaps in June with the risk that we have already

reached the end of the rate cut cycle."

When asked what the central bank's next move should be, instead of what the RBI will deliver, all but three of 45 economists also said a cut, with the median of those responses recommending 25 basis points.

And in response to a separate question, 35 of 52 economists said they were confident the RBI would cut rates soon. The remaining 17 contributors said they were not confident, mostly citing expectations for elevated inflation.

A separate Reuters poll of 52 economists taken Dec. 5-10 predicted inflation rose last month to over a three-year high of 5.26 percent from October's 4.62 percent, largely driven by a continued surge in vegetable prices, particularly onions - an important ingredient in the kitchens of more than 1.2 billion Indians.

"While multiple data shows lack of inflation pressure in the economy, onion prices - within the food component - have been the biggest driver of headline inflation and this cannot be influenced by monetary policy actions," said Kunal Kundu, India economist at Societe Generale.

But even though inflation has turned up recently, the RBI took many forecasters and traders off guard at the December meeting as policymakers had given no signal after a rapid-fire succession of cuts this year it was about to pause.

When asked if that decision had damaged the RBI's credibility, 70 percent - 39 of 53 - of economists said "not at all." Eleven contributors said it had "a bit" and three said "a lot."

"In terms of providing monetary policy accommodation they feel that they are already doing enough right now and they want to see more transmission before they cut more if they have to," said Sakshi Gupta, senior India economist at HDFC Bank.

"In this cycle, they have already delivered a significant amount of cuts and they probably want to wait and watch what is happening with inflation before they cut more."



TRANSCOM BEVERAGES

Khurshid Irfan Chowdhury, CEO of Transcom Beverages, and Sharfuddin Bhuiyan Shamol, senior brand manager, pose at an event at Le Meridien Dhaka on Saturday when 7Up bagged "Best Brand Award" from Bangladesh Brand Forum as it became the Best Beverage Brand in 2019 for 10 consecutive years. Transcom Beverages is the sole franchisee of PepsiCo in Bangladesh for bottling, distributing and marketing of Pepsi, 7up, Mirinda, Mountain Dew, Tropicana Frutz, Pepsi Diet, 7up Lite and Aquafina.

Access to finance, market helps achieve SDGs: analysts

FROM PAGE B1

"Macroeconomic stability is also very essential, because, without it you cannot think of any project," he said while addressing as the session chair.

Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development (InFM), said financing was the backbone for achieving the SDGs.

Financial inclusion should be ensured so that marginalised people and women could get adequate finance for their enterprises, he said.

Digital financing has been contributing to the promotion of financial inclusion across the country and mobilising national savings and helping to boost the rural economy, he pointed out.

Riyaz Mansoor, deputy minister of National Planning and Infrastructure of the Maldives, said when people talked about SDGs, most do not refer to disaster resilience.

Disaster resilience should get more emphasis as it can profoundly impact an economy during natural disasters, he said.

In a special session titled "ICC's Role in Responding to Emerging Global

Challenges for Sustainable Growth", Mahbubur Rahman, president of ICC Bangladesh, said a government alone cannot attain the SDGs without support from the private sector.

"It has to be together," said Rahman. Prof Barbara Meynert, senior adviser of the Fung Group of Companies, said business is not much focused on achieving SDGs but on profit and value addition.

They have to come up with new thinking to make profit along with helping to achieve the SDGs, she said.

Nihad Kabir, president of the Metropolitan Chamber of Commerce of Industry, said Bangladesh needs an action plan to meet challenges of transforming the country to a developing one from a least developed one.

She recommended diversifying the export products, adopting technological advancements and updating trainings and skills.

The ICC should work on promoting trade and enhancing trade negotiation power of people and it can work towards forming public-private partnerships for achieving the SDGs, she added.

Salman F Rahman, the Bangladesh

prime minister's private industry and investment adviser, said new sets of skills and training were extremely important to meet the challenges of the upcoming 4th industrial revolution.

So, educational curriculums are going to be changed and a national skills institute has been formed, he said.

"We want to make coding, a computer language, compulsory from the primary school level as part of standardisation of curriculum," Rahman added.

"If we can turn secondary school-going students into computer programmers then it will allow us to face the challenges of the 4th industrial revolution," he said.

Mir Nasir Hossain, former president of the Federation of Bangladesh Chambers of Commerce and Industry, said Bangladesh needs to put emphasis on two agendas -- climate change and ensuring inclusive development.

He said Bangladesh was witnessing a good growth rate but those who were financially insolvent were not availing its full fruits.



REUTERS/FILE

The logo of Reserve Bank of India is seen inside its headquarters in Mumbai.

US Fed opens final 2019 meeting; no rate move expected

AFP, Washington

The Federal Reserve on Tuesday opened its final policy meeting of 2019, with markets overwhelmingly expecting the central bank to leave interest rates untouched.

After cutting rates three times in the summer and fall, policymakers have said they are now pausing to watch how the world's largest economy performs.

With robust job growth and steady consumer spending, central bankers believe the United States has proved "resilient" in the face of a slowing world economy and a trade war with China, both of which have helped send American

manufacturing into decline.

The Fed is due to announce its latest decision, along with a new set of economic forecasts, at 1900 GMT on Wednesday, followed by a news conference by Fed Chairman Jerome Powell shortly afterward.

Job creation shot well past expectations last month, according to official data released Friday, wiping away fears that employers' demand for labor has begun to fade.

"This just leaves the Fed very comfortably on the sidelines for 2020, or at least as we enter the new year," Diane Swonk, chief economist at Grant Thornton, told AFP. Futures markets as of Tuesday predict the Fed will be on hold until September of next year.

Qatari fund to invest \$450m in India's Adani Transmission

REUTERS

Qatar's sovereign wealth fund will invest \$450 million in a unit of Indian power company Adani Transmission Ltd for a 25.1 percent stake, the two entities said on Wednesday.

Qatar Investment Authority will buy the stake in Adani Electricity Mumbai Ltd (AEML) in a deal that will also include subordinated loans.

AEML is an integrated power distribution, transmission and generation business that serves more than 3 million consumers in Mumbai, India's financial capital.

BB moves to curb money laundering

FROM PAGE B1

The committee will work on tracing possible sectors and ways of trade-based money laundering.

It will also help banks to improve their capability to follow guidelines of trade-based money laundering. According to the guideline, all the international trade related bank officials would be trained.

The BFIU emphasised issuing the guidelines because over 80 percent of money laundering was committed through international trade.



CDBL

Sheikh Kabir Hossain, chairman of Central Depository Bangladesh Ltd, speaks at the company's 19th annual general meeting in Dhaka Club yesterday. The company approved 25 percent cash dividend for 2018-19. Shuvra Kanti Choudhury, CEO, was present.

Faster project implementation boosts access to finance: experts

FROM PAGE B1

Today the region accounts for over 60 percent of global growth but still has 1.4 billion people living on less than \$2 per day.

According to an UN estimate, the financing gap to achieve the SDGs is \$2.5 trillion to \$3 trillion per year in developing countries alone.

"However, financing is probably not the problem, the main challenge is to mobilise and regulate the financing to achieve the targets, and to sustain the results."

Investments for SDGs are not for the sake of investments only. It also makes economic sense, he said.

An estimate shows that achieving the SDGs could open up \$12 trillion of market opportunities; create 380 million new jobs; and action on climate change would result in savings of about \$26 trillion by 2030, Parkash said.

The first action needed is to improve domestic resource mobilisation. Extensive reforms are needed to modernise the revenue systems. Simplification of revenue collection systems and procedures is critical, he said.

UN-Escap estimated that the developing Asia-Pacific countries should invest an additional \$1.5 trillion per year, or 5 percent of their combined GDP, to achieve the SDGs by 2030. "Today, ambition is the only option in our region," said Armida Salsiah Alisjahbana, executive secretary to the United Nations Economic and Social Commission for Asia and the Pacific (UN-Escap).

"It will be necessary to modernise tax systems and improve the efficiency

of tax administrations. The increasing importance of new business models and excessive tax competition across countries and tax evasion by multinational corporations are also causing losses to developing countries' tax administrations."

"To address these are common challenges, we need to significantly strengthen regional dialogues and cooperation on tax matters, as they have a direct bearing on the fiscal space to deliver on the 2030 Agenda," she added.

She said to support countries' capacities on infrastructure financing, UN-Escap has established the Infrastructure Financing and Public Private Partnership Network of Asia and the Pacific.

Capital markets and green bonds can help mobilise additional private financing for sustainable infrastructure projects, she noted.

"Third, let us enhance financial inclusion and financial technology, and other innovative financing mechanisms," said Alisjahbana.

AB Mirza Azizul Islam, former adviser to a caretaker government, stressed on the need for taking policy action to enhance progress incorporating inclusive financing with SDGs.

Easy and access to bank accounts and cheap credit for poor, small and micro enterprises are related to poverty alleviation, he said.

The government has taken the SDG achievement target seriously and regional, multi-level cooperation are needed to achieve sustainable development in Asia and the Pacific, said Mannan while moderating the

session.

Bun Chanthry, vice minister of the commerce ministry of Cambodia, highlighted the growth target of the country and said Cambodia was working to be high middle income country in 2030 and high income country by 2050.

The policy platform supports pro employment, equity, economic diversification, private sector development, modernisation of SMEs and new enterprise development, digital economy and industrial revolution, the Cambodian minister said.

Puspa Raj Kadel, vice chairman of the National Planning Commission of Nepal, and Mohammad Ali Taslim, former chairman of Bangladesh Tariff Commission, also spoke.

Chinese investors seek long-term, stable policies

FROM PAGE B1

The zone will be the first specialised government-to-government economic zone in the country located over an area of 781 acres. It has access to water network and is suitable for export-oriented industries thanks to its proximity to the Chattogram port, the largest sea port in Bangladesh.

Chowdhury said around 200,000 jobs will be created at the CEIZ when it becomes fully operational.

An official of the BIDA said the Chinese delegation also requested Bangladesh to cooperate with Chinese investors so that they can complete investment procedures speedily and called for up-to-date information when investors go to the investment agency.



SBAC BANK

Mostafa Jalal Uddin Ahmed, additional managing director of SBAC Bank, opens the bank's 78th branch at Palashbari in Gaibandha on Monday.