

Oil hovers near three-month highs on trade progress

REUTERS, London

Oil prices hovered near three-month peaks on Thursday, buoyed by falling US crude inventories and thawing trade relations between the United States and China.

Brent crude futures edged up 10 cents to \$66.27 a barrel by 0957 GMT, heading for a sixth straight day of gains if prices on Thursday end in positive territory. US West Texas Intermediate (WTI) crude gained 6 cents to \$60.99 a barrel.

Trading volume was thin before the Christmas holiday with news of President Donald Trump's impeachment by the US House of Representatives failing to stir the oil market.

"A resilient performance in the coming two weeks will flip the monthly technical picture unreservedly positive for next year," PVM oil market analysts said, although they added prices were still likely to be volatile. Oil prices are on track for a third consecutive weekly rise, surfing momentum from this month's announcements about deeper output cuts by major crude producers and the "Phase One" deal between Washington and China that has eased trade tensions.

The deal between the world's two largest economies has improved the global economic outlook, lifting prospects for higher energy demand next year and underpinning oil prices.

In a further sign of thawing relations, China's finance ministry on Thursday published a new list of six U.S. products that will be exempt from tariffs starting Dec. 26.

A week earlier, the Organization of the Petroleum Exporting Countries and non-OPEC producers such as Russia agreed to deepen production cuts by a further 500,000 barrels per day (bpd) from Jan. 1 on top of previous reductions of 1.2 million bpd.

Offering a further lift to oil prices, weekly data from the Energy Information Administration showed U.S. crude inventories dropped 1.1 million barrels in the week to Dec. 13, while gasoline and distillates stockpiles rose.

BOJ's Kuroda warns of risks to Japan economy despite trade war truce

REUTERS, Tokyo

Bank of Japan Governor Haruhiko Kuroda said the global economic outlook has brightened somewhat due to a preliminary US-China trade deal but warned that risks to Japan's recovery remain high, signaling his resolve to keep the money spigot wide open.

But Kuroda said there were limits to how much the BOJ could deepen negative interest rates as prolonged ultra-low borrowing costs hurt financial institutions, suggesting that no immediate expansion of stimulus was forthcoming.

As part of efforts to ease the side-effects of its huge asset buying, the BOJ unveiled details of a scheme first flagged in April to lend some of its holdings of exchange-traded funds (ETF).

"It's true we've seen some positive developments regarding overseas risks," Kuroda said, welcoming receding fears of a disorderly Brexit and recent progress made by Washington and Beijing to de-escalate their bruising trade war.

"Things are moving forward but uncertainty remains high. We still need to guard against downside risks to Japan's economy," he told a news conference on Thursday.

Kuroda made the comments after the BOJ's widely expected decision to maintain its short-term rate target at -0.1 percent and that for 10-year bond yields around 0 percent.

The central bank also kept intact its assessment that Japan's economy continues to expand moderately as a trend, pointing to an expected boost

to growth from the government's \$122 billion spending package unveiled on Dec. 5. But the BOJ offered a gloomier view on factory output, a nod to the fallout from soft global demand and trade tensions.



BOJ Governor Haruhiko Kuroda

"Industrial production is falling due mainly to natural disasters," the BOJ said in a statement, revising down its view from October when it said output was moving sideways.

The decision to stand pat keeps Japan in line with the US Federal Reserve and the European Central Bank, which have both signaled their respective monetary policies will be in a holding pattern for the time being.

"The BOJ will likely stand pat throughout next year given the Fed probably won't raise or cut interest rates, which should keep yen moves steady," said Izuru Kato, chief economist at Totan Research.

Years of heavy money printing have failed to fire up inflation to the BOJ's 2 percent target, forcing it to maintain a

massive stimulus despite the hit inflicted on financial institutions' profits from prolonged ultra-low rates.

Koichi Hamada, a key economic adviser to Prime Minister Shinzo Abe, criticized the BOJ's negative rate policy and warned against pushing borrowing costs too low.

Kuroda countered the view the BOJ has reached the limits of monetary easing, saying that deepening negative rates was among the central bank's policy options.

But he said the BOJ must be mindful of the impact ultra-low rates could have on regional banks, already struggling from structural factors and signs of increase in credit costs.

"It's not as if we can deepen negative rates indefinitely," Kuroda said. "If low rates are sustained for a prolonged period, that could hurt financial intermediation. We must make sure the (demerits) do not erode the effect of monetary easing."

He also said Japan's yield curve ought to steepen more, warning investors against pushing super-long bond yields too low and narrowing the margin commercial banks earn from lending.

Coupled with the rate decision, the BOJ announced details of a plan to begin lending ETFs to market participants as part of efforts to make its policy framework more sustainable.

Aside from gobbling up government bonds to keep bond yields low, the BOJ also buys ETFs and other risky assets under its stimulus program. Some investors have complained the BOJ's huge buying was distorting stock prices.

Nihad re-elected MCCI president, Anis VP



Nihad Kabir



Anis A Khan

STAR BUSINESS DESK

Nihad Kabir, senior partner at the Syed Ishtiaq Ahmed & Associates, has recently been unanimously re-elected president of the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) for 2020.

The election was held at a meeting on November 27, which was confirmed at the MCCI's 115th annual general meeting yesterday, according to a statement.

The chamber also elected Anis A Khan, a director of W&W Grains Corporation, as vice president.

Kabir is a director of Brac Bank, Idcol, bKash and Guardian Life Insurance and an independent director of Square Pharmaceuticals and Square Textiles. She is also a shareholder of Kedarpur Tea Co and Sangbad Ltd.

Khan was the managing director and CEO of Mutual Trust Bank and IDLC Finance. He earlier served Grindlays Bank, ANZ Grindlays Bank and Standard Chartered Bank.

The committee members are Syed Tareque Md Ali, Mohammad Naser Ezaz Bijoy, Tapan Chowdhury, Ulzma Chowdhury, Simeen Hossain, Rubaiyat Jamil, Adeeb Hossain Khan, Hasan Mahmood, Golam Mainuddin and Syed Nasim Manzur.



CITY BANK

Mashrur Arefin, CEO of City Bank, and Md Sharafat Ullah Khan, a deputy general manager of Bangladesh Bank, exchange the signed documents of an agreement on Japan International Cooperation Agency-assisted Urban Building Safety Project at the latter's head office in Dhaka on Tuesday. The deal will enable City Bank to avail long-term refinance/pre-finance facility for promoting investment in safe working environments in the RMG sector.



CROWN CEMENT

Mohammed Jahangir Alam, chairman of MI Cement (Crown Cement), presides over the company's 25th annual general meeting on its factory premises at West Mukterpur in Munshiganj yesterday. The company approved 10 percent cash dividend for the year ending on June 30, 2019. Molla Mohammad Majnu, managing director, was present.

Six countries keen to invest in Teletalk, 5G: Jabbar

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The telecom minister also acknowledged that because of the call rate revision, the expenditure for customers has increased slightly. He also said his initiative to reduce the cost of internet usage was still on.

"Cutting the internet usage cost has been my first priority but I cannot ensure it as there are multiple channels inside the system and everything is not in our hand."

In August 2018, the government fixed the minimum call charge at Tk 0.45 per minute and with VAT and other taxes it rose to at least Tk 0.54.

However, companies like Grameenphone are charging on an average Tk 0.73, which was Tk 0.67 per minute before the rate was revised. Jabbar also blames the tax policy as one of the barriers.

He said his ministry was going to ensure free internet in 587 government schools and

colleges. "Personally, I think internet should be free for educational institutions and that should be the students' right."

The telecom minister said the government has formulated a guideline to ensure the quality of service but unfortunately that has not been enacted still.

"As a customer, I am also annoyed with the mobile operators as I also get a huge number of call drops," said Jabbar.

The telecom division is going to present a demonstration on 5G at the three-day Digital Bangladesh Fair, which will take place from January 16 to 18.

"We have so far established a fibre optic connected network across the country and by the middle of next year you will not find any union where there will be no fibre optical connectivity."

Jabbar also said without fibre optical network, 5G would not be usable.

Govt softens stance on new potato variety

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Farmers mainly cultivate diamond varieties of potatoes, which are mainly consumed by households.

They also grow granola potato and some varieties namely asterix and lady rosetta for agro-processing.

"Farmers will not make profit by producing table potatoes only. We need varieties for industrial processing and to increase exports," Ahmed said.

Officials of Tuber Crop Research Centre (TCRC) said there are a good number of varieties available for export and warned that easing of control would increase risk of infestation of alien disease in the crop.

"Exporters should go for contract farming of potato to ensure quality and disease-free production and boost export," said a senior official of the TCRC, seeking to remain unnamed. The official said exporters seek potatoes which are larger having high dry matter content to cater to demand for processors abroad.

But potatoes produced in Bangladesh are smaller as those are grown in 90 days compared to nearly six months in Europe, the TCRC official said. Ferdousi Begum, managing director of Ferdous Biotech, said relaxation of rules will affect tissue culture labs that produce seeds of potatoes.

"We will be badly affected by the entry of foreign seeds. We have been facing difficulties in selling seeds since 2016 because of low prices of potatoes," she said, adding that tissue culture labs could cut import dependence for seeds to a large extent since 2010-11.

FH Ansarey, managing director and chief executive of ACI Agribusiness of ACI Ltd, said most of the seeds of potatoes are of foreign origin and good varieties of potatoes for industrial processing and value addition will come through imports because of the easing of rules.

"This is a dynamic move. This will increase competition in the sector. The government should also ease restriction on wheat and sugarcane seeds," he said.

"Given the surplus production of potato, relaxation of rules will encourage the introduction of varieties for industrial processing and we will be able to meet both domestic and international demand," said Wais Kabir, executive director of Krishi Gobeshona Foundation, a state sponsored agency promoting agricultural research.

"We need to have a stringent quarantine and disease management system."

US, China in touch on signing of Phase 1 trade deal: official

REUTERS, Beijing

China and the United States are in touch over the signing of their Phase 1 trade deal, China's commerce ministry said, which will see lower US tariffs on Chinese goods and higher Chinese purchases of US farm, energy and manufactured goods.

The Phase 1 deal was announced last week after more than two years of on-and-off trade talks, although neither side has released many specific details of the agreement.

Both the Chinese and US trade teams are in close communication, Gao Feng, a spokesman at the Chinese commerce ministry, told reporters at a regular briefing on Thursday, adding there is no specific information on the deal to disclose currently.

"After the official signing of the deal, the content of the agreement will be made public," Gao said.

US officials say China agreed to increase purchases of US products and services by at least \$200 billion over the next two years.

Export growth may slow to 7.3pc next year

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These have had an adverse effect on trade, particularly in case of economies closely integrated with China through global value chains (GVCs).

Integration of smaller traders into the global and regional economy through GVCs is becoming more difficult. New import barriers increase the cost of production and reduce the competitiveness of companies participating in regional production networks.

The ESCAP earlier estimated that the tariff war-related toll on gross domestic product could reach as much as \$400 billion worldwide and \$117 billion in the Asia-Pacific region.

These projections are materialising and could increase unless current efforts to reduce trade tensions are successful.

"For the Asia-Pacific region, the challenge is to increase trade and deepen economic integration to support sustainable development. Looking ahead to 2020, the agreement reached between China and the United States is welcoming and should reduce policy uncertainty," said Armida Salsiah Alisjahbana, the UN Under-Secretary General and executive secretary of the ESCAP.

The new guarantees provided by the

implementation of the Phase-I deal reached between China and the US might boost investor and consumer confidence enough for trade in the region to grow by about 1.5 percent in 2020.

This growth would be felt more in developing economies, which could see 1.9 percent and 2.7 percent growth in exports and imports respectively in 2020. Country-level forecasts vary widely and uncertainties are high. However, it remains highly uncertain whether the trade tensions between Beijing and Washington can be resolved in the near future.

Furthermore, the recent decision by India to postpone its participation in signing the Regional Comprehensive Economic Partnership (RCEP) Agreement suggests that not all countries assess the value of accelerating regional integration equally.

In 2019, China's exports dropped by 1.3 percent and imports by 4.7 percent in real terms. As a result, substantial adverse spill-over effects have spread through the region.

However, nations such as Bangladesh, India and Vietnam challenged this trend, registering 4 percent to 8 percent export volume gains. "This was mainly due to their role in supplying goods that became tariffed under the US-China trade war."



PREMIER HOTEL MANAGEMENT COMPANY

HBM Iqbal, chairman of Premier Hotel Management Company Ltd, attends the opening of the Renaissance Dhaka Gulshan Hotel in the capital on Wednesday. The company will run the hotel in association with Marriott International.



Quazi Shams Afroz, director general at the Department of Fisheries, and John A Dorr, chief of party of the Safe Aqua Farming for Economic and Trade Improvement (Safeti) project of Winrock International, attend the launch of Safeti's Shrimp Farming BD app in Matshya Bhaban in Dhaka yesterday.

WINROCK INTERNATIONAL



BKASH

Md Miarul Haque, managing director of DHL Express Bangladesh, and Mizanur Rashid, chief commercial officer of bKash, exchange the signed documents of a deal at the latter's office in Dhaka on Tuesday. Customers of DHL Express Bangladesh will be able to pay freight charges from their bKash account at DHL service points.