A street vendor goes round the Kuakata sea beach on his rickshaw van selling kulfi, a frozen dairy dessert, giving visitors some respite from the sweltering heat. Working from morning to evening, he logs sales worth Tk 3,000 to Tk 5,000 and makes profit of Tk 1,000-1,500. The photo was taken recently.

PHOTO: TITU DAS

Is US in a recession? GDP is not the only measure

REUTERS, *Washington*

By some early estimates, the US economy, as measured by gross domestic product, may have shrunk in the three months from April through June. Add that to the decline from January through March, and that would be a contraction for two quarters in a row.

By an often-cited rule of thumb, that means the world's largest economy is in recession.

But deciding when a recession has begun or predicting when one might occur is not straightforward. The "two quarters" definition is not how economists think about business cycles, because GDP is a broad measure that can be influenced by factors like government spending or international trade. Instead they focus on factors like jobs, industrial production, and incomes.

At issue now is personal consumption data for May, released last week, which showed spending and disposable income dropped on an inflation-adjusted basis. That sparked a host of gloomy forecasts for June, and increasing speculation that a downturn is coming soon, if it is not here already.

The weeks ahead are likely to include pitched debate about the real health of the economy. Whether the US is headed for a recession or already in one is a growing concern for corporate chief executives and their employees, the Federal Reserve, and the administration of President Joe Biden.

DOESN'T FALLING GDP = RECESSION?

Not always. In 2001 gross domestic product, after revisions, fell in the first three months of the year, but then rebounded in the next three months to a level higher than it ended the year before. GDP declined again in the fall.

Even though there were not two consecutive quarters of declining GDP, the situation was dubbed a recession at the time, because employment and industrial production were falling.

The pandemic recession only lasted two months, from March to April 2020, even though the steep drop in economic activity over those weeks meant GDP shrank overall in both the first and second quarters of the year. In 2016 there was a noticeable drop in industrial activity that some dubbed a "mini-recession," though GDP never declined.

WHO DECIDES AND HOW?

In the United States, the official call is made by a panel of economists convened by the National Bureau of Economic Research, and sometimes comes a year or more after the fact.

The private non-profit research group defines recession as a "significant decline in economic activity that is spread across the economy and that lasts more than a few months." The panel concentrates on things like jobs and industrial output that are measured monthly, not quarterly like GDP. It examines the depth of any changes, how long declines seem to be lasting, and how broadly any trouble is spread.

There are tradeoffs.

In the pandemic, for example, the depth of the job loss, in excess of 20 million positions, offset the fact that growth resumed quickly, leading the group to officially call the situation a recession in early June, before the end of the second quarter.

While each of three criteria -- depth, diffusion, and even duration -- "needs to be met individually to some degree, extreme conditions revealed by one criterion may partially offset weaker indications from another," the group says.

SO ARE WE IN A RECESSION NOW?

Almost certainly not. While the "two quarter rule" has caveats and exceptions, there has never been a recession declared without a loss of employment. Jobs are being added in the US by hundreds of thousands monthly.

The pace will likely slow, but there would need to be a sharp reversal for the current path of job growth to turn into one that looks like recession.

Industrial production, another factor that figured prominently in declaring the 2001 recession, has also been rising steadily, at least through May.

Two become BB directors

Shabbirul Alam

Saeda Khanam

STAR BUSINESS REPORT

Two additional directors of Bangladesh Bank, Md Shabbirul Alam Chowdhury and Saeda Khanam, have been promoted to the post of director.

Chowdhury's promotion came into effect on June 26. He was previously an additional director of the Department of Financial Institutions and Markets. Chowdhury also worked in other departments, including foreign exchange policy, SME and special programmes.

Khanam's promotion came into effect on July 3. She had joined the central bank as an assistant director in 2002.

Sarker elected vice chair of Dhaka Bank

STAR BUSINESS REPORT

Md Aman Ullah Sarker was recently elected as vice-chairman of Dhaka Bank Limited, according to a press release from the private commercial bank.

Sarker is associated with Rahmat Group, a leading textiles, spinning, weaving, plastics and accessory manufacturer.

With a business background spanning 31 years, Sarker earned his bachelors and master's degrees in business administration from the University of Dhaka.

MDB launches two deposit schemes

STAR BUSINESS REPORT

Midland Bank Limited (MDB), a fourth generation private commercial bank in Bangladesh, recently inaugurated two new deposit schemes to mark its ninth year of commercial operations.

Md Ahsan-uz Zaman, managing director and chief executive officer of MDB, Md Zahid Hossain, deputy managing director, and members of the senior management team formally launched the products on June 20.

Customers can open an account for either product from any MDB branch or agent banking outlet while they can also avail the facility through the bank's internet banking application "midland online".

Ukraine conflict raises

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stormed Ukraine, exceeding 400 euros ($418) per tonne in May on the European market, double its level last summer.

The higher costs are dramatic for developing countries. More than 30 nations depend on Russia and Ukraine for 30 per cent of their wheat import needs, according to the UN Food and Agriculture Organisation.

The two countries, considered the breadbaskets of Europe, accounted for 30 per cent of global grain exports before the war.

Their production has increased in recent years, with Russia becoming the top exporter and Ukraine closing in on third place.

What are the consequences for Ukraine?

A Russian naval blockade has prevented Ukraine from shipping out 25 million tonnes of grain that are now stuck in farms or silos at ports. While some quantities have been transported via rail and road, exports are still six times smaller than by sea.

Ukrainian farmers faced a dangerous planting season, with some having to work with flak jackets and rely on specialists to remove mines and other ordnance from fields.

Ukraine's wheat harvest is expected to fall by 40 per cent this year, the country's grain association says.

Has wheat become a war weapon?

US Secretary of State Antony Blinken has branded Russia's blockade as "blackmail", saying it was a deliberate strategy by Russian President Vladimir Putin to force the rest of the world "to give in to him" and drop sanctions on Moscow.

"In times of war, big producing countries literally hold the fate of others in their hands," Parmentier said.

Turkey has spearheaded efforts aimed at resuming grain deliveries across the Black Sea and said on June 22 that four-way talks with Russia, Ukraine and the United Nations could be held in the coming weeks.

What's the future?

China is not expected to release wheat stocks while India has imposed a temporary ban on its exports after a heatwave hit harvests.

Global wheat production is forecast to reach almost 775 million tonnes in 2022-2023, 4.5 million lower than the previous year, according to the US Department of Agriculture.

Reduced production in Ukraine, Australia and Morocco will "only partly" be offset by increases in Canada, Russia and the United States, the department said.

Sri Lanka warns of crisis

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with the International Monetary Fund depended on finalising a debt restructuring plan with creditors by August.

"We are now participating in the negotiations as a bankrupt country," Wickremesinghe said.

"Due to the state of bankruptcy our country is in, we have to submit a plan on our debt sustainability to them separately. Only when (the IMF) are satisfied with that plan can we reach an agreement."

The IMF last week said more work was needed to set the nation's finances right and repair its runaway fiscal deficit before a deal could be struck on a funding arrangement to address its balance of payments crisis.

It has also told authorities to do more to fight corruption and bring an end to costly energy subsidies that had long been a drain on the government budget.

Sri Lanka is almost entirely without petrol and the government has shut down non-essential public services in an effort to conserve fuel.

There have been clashes outside the few petrol stations still selling fuel, with tens of thousands lining up for the slim chance of securing limited supplies and no fresh stocks expected for at least two weeks.

The United Nations estimates that about 80 per cent of the public are skipping meals to cope with food shortages and record prices.

Wickremesinghe said the IMF expects Sri Lanka's economy to shrink by seven per cent this year, even worse than the dire forecasts issued by the country's central bank.

Turkish inflation hits two-decade high of 78.6pc

AFP, *Istanbul*

Inflation in Turkey in June soared to an annual rate of 78.6 per cent -- the highest in 24 years, according to official data released Monday -- as President Recep Tayyip Erdogan's unconventional economic policies continued to take their toll.

But independent estimates published by Turkish economists showed prices rising at more than double that figure.

The inflation rate reported by Turkey's state statistics agency was the highest since the emerging market suffered a currency meltdown during a global financial crisis in 1998.

Inflation had stood at 73.5 per cent in May and at 15.0 per cent at the start of last year.

Economy Minister Nureddin Nebati on Friday vowed that consumer prices will start dropping in December.

"I promise to you and to the president, we will see a drop in inflation starting in December," he was quoted as saying by Turkish media.

According to the official data, the surge in inflation in June was driven by a jump of 123.4 per cent in the cost of transportation and a 94-per cent increase in non-alcoholic drinks.

Turkey's latest problems began when Erdogan forced the central bank to go through with a series of interest rate cuts last year that he said were part of his "new economic model".

The policy rate went down despite rising consumer prices.

But the Turkish leader rejects conventional economics and affirms that high interest rates cause prices to rise.

Economists believe his approach has exacerbated the pain felt world-wide from the jump in food and energy prices caused by Russia's invasion of Ukraine.

However, more and more economists are starting to question Turkey's official data.

A monthly report release Monday by Turkey's ENAG group of independent economists showed consumer prices rising by 175 per cent in June.

ENAG said prices had risen by 71.4 per cent since the start of the year alone.

The Istanbul chamber of commerce said inflation in Turkey's largest city has reached an annual rate of 94 per cent.

Mahbubur Rahman, chairman of Eastland Insurance Company, inaugurated its "Half-yearly Business Conference-2022" at the Dhaka Chamber of Commerce & Industry on Monday. Board members Kamal Uddin Ahmed and Mahbub Jamil, Executive Vice Chairman Ghulam Rahman and Chief Executive Officer Abdul Haque were present.

PHOTO: EASTLAND INSURANCE COMPANY

Arif Quadri, managing director and CEO of United Commercial Bank, inaugurated a Muksudpur branch in Gopalganj on Monday. Deputy managing directors Mohammed Khorshed Alam and ATM Tahmiduzzaman were present.

PHOTO: UNITED COMMERCIAL BANK

New Zealand business confidence down

REUTERS, *Wellington*

New Zealand's business confidence continued to worsen in the second quarter of this year as companies grappled with increased costs and higher interest rates, a private think tank said on Tuesday.

A net 65 per cent of firms surveyed expected general business conditions to deteriorate compared with 40 per cent pessimism in the previous quarter, the New Zealand Institute of Economic Research's (NZIER) quarterly survey of business opinion showed. It added that business confidence is now at its lowest level since the first quarter of 2020 when the Covid-19 pandemic was declared.