China counts economic cost of virus as row deepens over travel ban

REUTERS, *Beijing/Shanghai*

THE economic and diplomatic costs of China's coronavirus epidemic mounted on Monday with investors knocking $400 billion off the value of stocks and the government accusing the United States of over-reacting to the outbreak and whipping up panic.

The number of deaths in China from the newly identified virus, which emerged in Wuhan city in the central province of Hubei in December, had risen to 361 as of Sunday, up 57 from the previous day, the National Health Commission said.

China's markets plunged at the open in their first session after an extended Lunar New Year break that began on Jan. 23, when the virus had claimed only 17 lives in Wuhan.

Since then, the flu-like virus has been declared a global emergency and spread to about two dozen other countries and regions, with the first death outside of China reported on Sunday, that of a 44-year-old Chinese man who died in the Philippines after travelling from Wuhan.

Wuhan and some other cities remain in virtual lockdown with travel severely restricted, and China is facing increasing international isolation as well due to restrictions on flights to and from the country, and bans on travellers from China.

The government pointed a finger of blame at the United States saying it had acted to create and spread fear instead of offering any significant assistance.

The United States was the first country to suggest the partial withdrawal of its embassy staff, and the first to impose a travel ban on Chinese travellers, said Chinese foreign ministry spokeswoman Hua Chunying.

"All it has done could only create and spread fear, which is a bad example," Hua told an online news briefing, adding that China hoped countries would make judgements and responses that were reasonable, calm and based on science.

Relations with the United States have been strained over the past year, largely over trade.

The World Health Organization (WHO) has declared the outbreak a public health emergency of international concern but it has also said travel bans are unnecessary.

"There is no reason for measures that unnecessarily interfere with international travel and trade," said WHO Director-General Tedros Adhanom Ghebreyesus.

"We call on all countries to implement decisions that are evidence-based and consistent."

Jittery investors erased almost $400 billion from Chinese stocks, with the Shanghai Composite index down almost 8%, its worst daily drop in four years

The yuan had its worst day since August and Shanghai-traded commodities from oil to copper hit their maximum down limits.

The wipeout came even as the central bank made its biggest cash input into financial markets since 2004 - with an injection of 1.2 trillion yuan ($173.8 billion) of liquidity into the markets via reverse repo operations - and despite apparent regulatory moves to curb selling.

Investors had been bracing for volatility when onshore trade in stocks, bonds, yuan and commodities resumed, following a steep global selldown on fears about the impact of the virus on the world's second-biggest economy.

Beijing also said it would help firms that produce vital goods resume work as soon as possible, state broadcaster CCTV reported.

But while stock markets reopened, most provinces have extended the holiday to try to contain the virus, with workers in Hubei not scheduled to return until after Feb. 13.

The number of new confirmed infections in China rose by 2,829, bringing the total to 17,205.

The WHO reported at least 151 confirmed cases have been reported in 23 other countries and regions, including the United States, Japan, Thailand, Hong Kong and Britain.

A 1,000-bed hospital built in just eight days to treat people with the virus in Wuhan will begin to take patients on Monday, state media said. More than 7,500 workers took part in the project, launched on Jan. 25 and finished this weekend.

REUTERS/FILE

A man wearing a mask walks past the headquarters of the People's Bank of China, in Beijing yesterday.

UK manufacturing ends longest decline since financial crisis

REUTERS, *London*

BRITAIN'S manufacturing sector emerged from its longest decline since the financial crisis last month, after a boost from December's election result, though weak European demand and Brexit concerns muted the optimism, a survey showed on Monday.

The IHS Markit/CIPS purchasing managers' index (PMI) rose to the no-change level of 50.0 from 47.5 in December, slightly stronger than an earlier "flash" reading for January of 49.8 which had shown the index just within contraction territory.

"Reduced levels of political uncertainty following the general election led to mild recoveries in new orders and business confidence and a stabilisation of production volumes," IHS Markit said.

December's reading was the second-lowest since 2012, and the manufacturing PMI had been below 50 since May, the longest such unbroken run since 2009.

Manufacturing makes up 10 per cent of the British economy, and the most recent official data showed the sector shrank by 2.0 per cent in the 12 months to the end of November.

January's rebound matches other data since Prime Minister Boris Johnson won an unexpectedly big parliamentary majority in a Dec. 12 election, reducing short-run uncertainty over Brexit and the government's political direction.

Bank of England Governor Mark Carney said last week that data in early 2020 had been good enough to keep the BoE from cutting interest rates after weakness in late 2019, but the survey numbers would need to be confirmed by official figures.

Past PMI surveys have sometimes overestimated the scale of upturns and downturns in the economy.

New orders grew overall at the fastest rate since April 2019, but export orders continued to decline, which manufacturers blamed on weak economies in mainland Europe.

After leaving the European Union at 2300 GMT on Jan. 31 following 47 years of membership, Johnson now has until the end of the year to negotiate a trade deal that will avoid new tariffs on British goods.

However, the car industry and other sectors which rely on just-in-time delivery worry that future border checks will make their British operations uncompetitive.

"Optimism remained low compared to the historical standards of the survey, in part due to ongoing uncertainty at some firms about the impact of Brexit," IHS Markit said.

The BoE said some new trade frictions will be unavoidable, and estimates Britain's sustainable annual growth rate over the coming years will fall to 1.1 per cent from an average of 1.6 per cent since the financial crisis.

Worldline's $8.7b Ingenico deal to create European payments leader

REUTERS, *Paris*

PAYMENTS company Worldline agreed on Monday to buy French rival Ingenico in a 7.8 billion euros ($8.7 billion) deal to create a new European leader in the sector and fend off cut-throat competition from internet and telecoms companies.

The purchase by Worldline, which was born out of French IT company Atos, is the latest deal in the payments sector, where the firms cater to everything from small shops needing card terminals to large online businesses.

The increasing use of smartphones for online payments and the growing success of Apple Pay, Google Pay and Amazon has led to more competition, with mergers and acquisitions allowing firms to build scale and cut costs.

The global payments industry is set to reach $3 trillion a year in revenue by 2023 as more people switch from cash to digital payments for online and store purchases, according to research by consulting firm McKinsey.

In 2019, Fiserv Inc bought First Data Corp for $22 billion, while Fidelity National Information Services (FIS) bought Worldpay for about $35 billion, consolidating their positions as the top two players globally.

The takeover of Ingenico gives the firm an implied equity value of 7.8 billion euros and would immediately boost Worldline's earnings per share, with around 250 million euros expected in savings by 2024.

The price tag implies a premium of about 16 per cent to Ingenico's closing market value on Friday of around 6.7 billion euros.

The companies expect the transaction, which requires regulatory approval, to close in the third quarter of 2020.

Ingenico shareholders would receive 11 Worldline shares and 160.5 euros in cash for seven Ingenico shares, in a primary tender offer. There would also be a secondary offer, with 56 Worldline shares exchanged for 29 Ingenico shares, translating into an offer price of 123.10 euros per Ingenico share.

Ingenico shares jumped 11.2 per cent to 117 euros in early trading, while Worldline shares fell 4.2 per cent, reflecting some concerns that Worldline is paying a hefty premium to buy Ingenico.

On closing the deal, former Worldline shareholders would own 65 per cent of the combined entity and former Ingenico shareholders would own 35 per cent. Worldline Chairman and CEO Gilles Grapinet would become CEO of the combined company and Ingenico Chairman Bernard Bourigeaud would become non-executive chairman.

Worldline, in which Atos still has a 16.9 per cent equity stake, said the deal would give it access to Ingenico's strong presence in the travel, health and retail sectors, while the combined company would have a bigger geographic reach and an extended partnership with German savings banks.

Creating a European champion able to compete with bigger American rivals could also be welcomed by European politicians, with Europe's antitrust chief having voiced concerns over Apple Pay.

"The local tie up by Ingenico and Worldline makes sense so instead of competing with each other in their domestic space the combined company can focus on bigger fish to fry," said MB Capital managing director Marcus Bullus.

"I don't see there being any anti-trust issues in what should be quite a clean streamlined deal that will create added value for shareholders of the combined company," he added.


REUTERS/FILE

A customer pays with a contactless credit card at a store in Paris.

Modi's guarded stimulus unlikely to revive Indian growth

REUTERS, *New Delhi*

INDIA'S new budget is unlikely to drag Asia's third- biggest economy out of its worst slowdown in more than a decade as the government has proposed only moderate spending increases and small cuts in personal taxes, economists said on Sunday.

They said there was a risk the government might miss its fiscal deficit target for 2020-21 as it was dependent on raising almost $30 billion from the sale of stakes in state-run firms and financial institutions to meet ambitious revenue goals.

In its budget for the year starting in April unveiled on Saturday, the government relaxed its fiscal deficit target so it could spend an nearly $15 billion more, mainly on infrastructure and farming, while pushing ahead with privatisations.

Economists and industry leaders said the budget proposals would provide some support to growth over the longer term but were insufficient to give it an immediate boost.

India's economy is forecast to grow 5 per cent in the year ending in March, its weakest pace in 11 years, ratcheting up the pressure on Prime Minister Narendra Modi, who is already facing backlash over a socially divisive citizenship law.

Narendra Modi

"We see the budget as largely neutral for growth and inflation," said Nomura economist Sonal Varma, adding that the financial sector's problems could further delay any recovery. The government has proposed increasing spending to boost consumer demand and investment but it could not go far enough because a slowdown in revenue receipts tied its hands, economists said.

Rating agency Moody's Investor Service said the budget highlighted the fiscal challenges from slower real and nominal growth, which may continue longer than the government expects.

Nomura said annual growth in gross domestic product (GDP)most likely slipped to 4.3 per cent in the last three months of 2019, after dropping to 4.5 per cent the previous quarter, its slowest in more than six years.

Economists said India risked missing its budget deficit target of 3.5 per cent of GDP in 2020-21 as the government's revenue growth target of nearly 10 per cent depends on raising almost 2.1 trillion rupees ($30 billion) from privatisations.

Investors and consumers were also disappointed by the budget as no new incentives were offered for the beleaguered financial sector and housing market while it wasn't clear whether proposed changes to individual taxes would result in net gains.

"The tax cuts won't translate into much benefit for taxpayers," said Amit Maheshwari, Partner, Ashok Maheshwary & Associates LLP, a tax consultancy, adding that they could discourage saving and help push market interest rates higher.

Germany ran world's largest current account surplus in 2019

REUTERS, *Berlin*

GERMANY'S current account surplus remained the world's largest last year despite trade tensions, the Ifo economic institute will say on Monday, in an estimate likely to renew criticism of Chancellor Angela Merkel's fiscal policies.

The Ifo estimate, seen by Reuters ahead of publication, put Germany's current account surplus — which measures the flow of goods, services and investments — at some $293 billion in 2019.

It is the fourth successive year that Germany's current account surplus has been the world's largest, with Japan's the next largest at $194 billion, according to Ifo calculations.

The International Monetary Fund and the European Commission have for years urged Germany, Europe's largest economy, to do more to lift domestic demand and imports as a way to reduce global economic imbalances and stimulate growth elsewhere.

Since his election, US President Donald Trump has also criticised Germany's export strength.

Germany's current account surplus can mainly be attributed to the fact that far more German products and services are sold overseas than imported to Europe's largest economy.

Merkel said last year: "We are proud of our cars and so we should be." But she added that many were built in the United States and exported to China.

Ifo economist Christian Grimme said the German surplus increased last year by almost 16 billion euros to some 7.6 per cent of gross domestic product (GDP).

"Stronger exports to the US due to the stronger depreciation of the euro and increased exports to the UK, where demand recovered somewhat, saw total German exports rise sharply again in the second half of the year," he said.

"By contrast, imports expanded very weakly in the summer half of 2019 - the ongoing industrial recession in Germany severely curbed imports of intermediate goods."

The European Commission, the EU's executive, considers a current account surplus of 6 per cent as sustainable over the long-term when measured by the size of a country's economy.