



Mizanur Rahman, senior executive vice president of Islami Bank Bangladesh, opens the bank's 'Khilkhet Sub-branch' under its branch in Nikunja in Dhaka on Thursday.

Chinese banks must brace for surge in bad loans, regulator says

Reuters, Beijing

China's banks should brace for a big jump in bad loans due to coronavirus-induced economic pain, the financial regulator said on Saturday, noting the deterioration of asset quality at some small and mid-sized financial institutions was accelerating.

China's Banking and Insurance Regulatory Commission said in a statement that profit growth would slow sharply at some banks while others could see profits decline.

If banks were to make the minimum amount of provisions for their non-performing loans, which some have yet to do, profits for the sector would fall by more than 350 billion yuan (\$50 billion), the statement said.

Data from the commission shows that Chinese commercial banks booked 2 trillion yuan in profits in 2019, up 8.9 per cent from a year earlier.

Outstanding non-performing loans in the sector totalled 3.6 trillion yuan as of end-June, while the bad loan ratio rose to 2.10 per cent, 0.08 percentage points higher than the beginning of the year, the statement said.

Small firms have been allowed to delay loan and interest payments and

the central government has called on the country's financial institutions to sacrifice 1.5 trillion yuan in profits this year to help counter the economic impact of the virus on companies.

Beijing has also allowed local governments to use the proceeds of special bonds to replenish the capital of certain small banks.

The regulator warned of illegal fund flows into real estate and the stock market, and of renewed risks in the shadow banking sector without elaborating.

It also vowed to strengthen regulation of capital flows and crack down on speculation in the financial sector to prevent asset bubbles.



People wear protective face masks, following an outbreak of the novel coronavirus disease, at Lujiazui financial district in Shanghai, China.

IMF warns cutting spending too soon could derail recovery

AFP, Washington

As governments rushed out funding to prevent an economic collapse amid the coronavirus pandemic, global public debt swelled to the highest in history, but the IMF warned Friday that cutting back too soon could undermine the recovery.

Continuing to provide the support as the economic slowdown drags on will be "paramount," the International Monetary Fund's fiscal policy chief Vitor Gaspar told AFP in an interview.

"The risk of premature withdrawal of fiscal support is the dominant risk," even more than rising debt levels, Gaspar said, noting that the economic recovery from the global financial crisis was slowed by that misstep.

As the health crisis spread and businesses were shuttered worldwide to contain the spread of COVID-19, governments provided "a massive fiscal response" of close to \$11 trillion in just a few months to help support households and prevent bankruptcies, a "stronger and faster" response than in 2008-2010.

As a result, even amid record low interest rates, the debt figures are staggering. Global public debt will reach "its highest level -- as a percentage of GDP -- ever recorded in history," at over 100 percent of global GDP, Gaspar said.



IMF's Fiscal Affairs Chief Vitor Gaspar

Deficits in advanced economies are projected to be five times higher than pre-pandemic estimates for 2020. The Washington-based crisis lender, which historically has always advocated for governments to restrain spending, is in the unusual position of urging authorities to flood their countries with cash while also sounding the warning about pitfalls ahead, especially if

there is a renewed spike in virus cases. With over 12 million cases worldwide and 555,000 deaths, "priority number one" is the health crisis and policies to contain the spread of COVID-19 so that life and the economy can return to normal, Gaspar said.

And as economic activity rebounds, government debt levels

should stabilize and begin to fall starting in 2021, he said. In the wake of the 2008 global financial crisis, many governments shut down their stimulus programs at the first sign their economies had stabilized, which led to a slower, more sluggish recovery.

Now, government spending "will need to remain supportive and flexible until a safe and durable exit from the crisis is secured," Gaspar said in a blog post co-authored with IMF chief economist Gita Gopinath.

"We are not out of the woods," they cautioned. But authorities should take steps to shore up their finances including improving tax collection, making taxes more progressive so those with higher incomes pay more, and eliminating subsidies on fuel while adopting revenue measures such as carbon pricing. In the face of "profound" transformations of their economies, when "many of the jobs destroyed by the crisis will likely not return," governments should focus their efforts on sectors that will survive, rather than those that will shrink, such as air travel. That could even include taking equity stakes in or temporarily nationalizing industries, which would "allow the taxpayer to share the upside" in companies benefiting from government support, Gaspar said.

After vigorous monsoon rains, crop planting gathers pace in India

Reuters, Delhi

Indian farmers have planted 12 million hectares with summer-sown rice, preliminary farm ministry data for this year showed, up 25 per cent from last year as robust monsoon rains encouraged the expansion of acreage.

Buoyed by the plentiful rains, rice farmers are likely to harvest a record crop and step up overseas sales from the world's biggest exporter of the grain.

Farmers start planting rice, corn, cotton, soybeans, sugarcane and peanuts among other crops from June 1, when monsoon rains reach India. Nearly half of India's farmland lacks irrigation and planting usually lasts through July.

The Ministry of Agriculture & Farmers' Welfare issued preliminary figures for planting from June 1-July 10, which are subject to revision as it gathers more information from state governments. The area planted with cotton was at 10.5 million hectares, up from 7.8

million hectares at the same time last year.

Sowing of oilseeds was at 13.9 million hectares, compared with 7.5 million hectares at the same time in 2019.

Planting of pulses touched 6.4 million hectares, sharply higher than 2.4 million hectares in the previous year. India has received 14 per cent higher than average rain since the monsoon season began on June 1. India's weather office defines average, or normal, rainfall as between 96 per cent and 104 per cent of a 50-year average of 88 cm for the entire four-month season.



A woman plants rice saplings in Nagaon district, in Assam.

Billionaire Musk's net worth zooms past Warren Buffett's

Reuters

Elon Musk's net worth soared past Warren Buffett on Friday as the chief executive officer of Tesla Inc became the seventh richest person in the world, according to the Bloomberg Billionaires Index.

Musk's fortune rose by \$6.07 billion on Friday, Bloomberg News said, following a 10.8 per cent jump in the electric carmaker's stock.

Buffett's net worth dropped earlier this week when he donated \$2.9 billion in Berkshire Hathaway stock to charity, the report added.

Tesla's shares have surged 500 per cent over the past year as the company increased sales of its Model 3 sedan.

The blistering rally also puts Musk in reach of a payday potentially worth \$1.8 billion, his second jackpot from the electric car maker in about two months.

The stock is up about 38% since the close on July 1, a day before the company reported its quarterly delivery numbers.

Tesla's solid delivery numbers heightened expectations of a profitable second quarter, which would mark the first time in its history that it would report four consecutive quarters of profit.



Tesla CEO Elon Musk

Amazon.com bans, then un-bans TikTok app from employee mobile devices

Reuters

In the span of a few hours on Friday, Amazon.com Inc banned and then unbanned the TikTok video sharing app from employee mobile devices, calling the move a mistake.

The news generated widespread attention for the Chinese-owned social media platform coming the same week US Secretary of State Mike Pompeo said the United States is "certainly looking at" banning TikTok, suggesting it shared information with the Chinese government.

It was not immediately clear what led to the initial ban by Amazon. One person familiar with the matter said senior Amazon executives were unaware of the request to delete TikTok from employee devices. The ban was reversed after TikTok and Amazon representatives discussed the matter, according to an email sent to TikTok employees.

Earlier this week, Wells Fargo sent a note to employees who had installed TikTok on company-owned mobile devices telling them to remove the app immediately.

"Due to concerns about TikTok's privacy and security controls and practices, and because corporate-owned devices should be used for company business only, we have directed those employees to remove the app from their devices," Wells Fargo said in a statement.

"We have not been contacted by Wells Fargo, but as with any organisation that has concerns, we are open to engaging with them constructively and letting them know about the actions we have taken to protect data security for our users," a TikTok spokesman told Reuters in a statement.

The attention underscores the hotseat that TikTok's owner, China-based ByteDance, has found itself in over recent days.

The Chinese ownership of TikTok, among the fastest growing digital

platforms ever, has come under heavy scrutiny on issues including their handling of user data. India banned TikTok and other Chinese apps in June.

The company has said user data is stored in the United States with a backup copy in Singapore. One person familiar with the matter said TikTok's user data is primarily stored in the Google Cloud in its Virginia-based data center.

TikTok declined to comment. Google could not immediately be reached for comment.

That did not stop Pompeo from floating a possible ban of TikTok in the United States. Asked if Americans should download it, he told Fox News: "Only if you want your private information in the hands of the Chinese Communist Party."

On Friday, the Republican National Committee asked its members via email not to download TikTok. The Democratic National Committee (DNC) on Friday also reiterated its guidance from December to stop downloading the app.

A person familiar with the matter said the DNC has been advising campaign staff for months not to use

TikTok on their personal devices and to use a separate phone and account if they use the platform for campaign work because of the amount of data it tracks. A spokesman for the DNC did not immediately respond to a request for comment.

Two Republican senators in March introduced a bill aimed at banning federal employees from using TikTok on government-issued phones, citing national security concerns around the collection and sharing of data on US users with China's government.

Last year the United States Navy banned TikTok from government-issued mobile devices, saying the app represented a "cybersecurity threat."

Last November, the US government launched a national security review of TikTok owner Beijing ByteDance Technology Co's \$1 billion acquisition of US social media app Musical.ly, Reuters first reported last year.

To address concerns over its Chinese ownership, ByteDance has taken steps to shift its center of power away from China, Reuters previously reported. It is also looking to make changes to TikTok's corporate structure for the same reasons, a company spokesperson said this week.



Another 1.3m workers file for US jobless benefits

AFP, Washington

A spike in coronavirus cases in the United States has forced some states to again close bars and restaurants, but the longer-term effect on jobs is uncertain, with new claims for unemployment benefits dropping again last week.

Another 1.3 million US workers filed for unemployment benefits in the week ending July 4, the Labor Department reported Thursday -- down 99,000 from the week before. That continues the slowdown in the pace of layoffs as the world's largest economy gradually reopens and workers are recalled to their jobs.

But the level remains far higher than any pre-pandemic week. In the same week of 2019, only 211,000 people filed initial claims for jobless benefits. The decline in the latest week slowed the four-week moving average to 1.44 million, the Labor Department reported, while 18 million remained on the jobless rolls through the week ended June 27.

"The labor market has been improving, but the impacts from the virus resurgence could slow that progress," economist Joel Naroff said in a note. With cases spiking in a number of states including Florida, Texas and California, governors have reimposed some lockdown measures or suspended their reopening protocols.

President Donald Trump, who is counting on a strong economy to help in his tough reelection bid in November, has cheered the recent signs of recovery -- and minimized the resurgence in cases. Economists and the Congressional Budget Office nevertheless warn that it will take years for employment to return to pre-pandemic levels.

And the US could suffer a second wave of layoffs as more states see spiking case counts, and once expanded jobless benefits expire. "Filings remain high and are declining at a stubbornly slow pace," said Rubeela Farooqi of High Frequency Economics. "We could see upward pressure in coming weeks in response to a surge in virus cases and related closures of businesses." The unemployment rate in June dropped to 11.1 percent as 4.8 million jobs were added, with huge gains in the leisure and hospitality sector, which suffered the biggest blows from COVID-19 restrictions on travel and restaurants. Trump says the "crisis is being handled" and the economy is "roaring back."

Treasury Secretary Steven Mnuchin acknowledged the new virus "hotspots" in the country on Thursday, but overall offered an upbeat assessment. "We'll deal with those hotspots. People are beginning to learn how to be able to work in this environment," Mnuchin told CNBC.

"Certain businesses have recovered very effectively. Certain businesses will take longer," he added, naming the airline and hospitality industries as ones that will "need more help."