China's central bank injects $81b into major banks to support economy

REUTERS, *Shanghai*

China's central bank is injecting a combined 500 billion yuan ($81.35 billion) of liquidity into the country's top banks, according to media reports, a sign that authorities are stepping up efforts to shore up a faltering economy.

Global shares and commodity prices rose on the reported move, although local money market rates climbed on the day, reflecting continued tightness in liquidity.

The Wall Street Journal, citing an unnamed Chinese bank executive, said the People's Bank of China (PBOC) is pumping in 100 billion yuan each into China's top five banks via standard lending facility in the form of 3-month loans.

When contacted by Reuters, a PBOC spokesman said: "We will make an announcement if we have any news."

The central bank may be worried that an expected tightening in liquidity ahead of the quarter-end as well as a series of upcoming initial public offerings could trigger a sharp rise in short-term rates, as was seen in June last year, when they surged to around 30 percent and roiled global markets, traders said.

Analysts say the amount is equivalent to a 50-basis-point cut to banks' reserve requirement ratio – the level of cash commercial lenders must carry on deposit with the PBOC.

REUTERS/FILE

A woman rides past the headquarters of the People's Bank of China, the Chinese central bank, in Beijing.

However, an RRR cut would have a longer-lasting and larger impact across the economy.

"We think the latest SLF is mainly aimed at providing liquidity to pre-empt potential liquidity shortages in the banking system in the coming weeks," Jian Chang, China economist at Barclays Capital in Hong Kong, said in a research note.

Still, a liquidity injection of this scale does have the effect of easing overall credit conditions and helps to stabilise a shaky economy after a weak start to the year. Some analysts believe the reported move shows the PBOC's continued willingness to use targeted steps, rather than large-scale stimulus or interest rate cuts, to support growth.

"This (SLF) is consistent with our view that targeted easing measures will be used in view of the deceleration in economic activities as reflected by recent data," Credit Agricole said in a research note.

Bloomberg, which quoted an unnamed government official, said the move follows deep concern over the economic slowdown.

The reports come after a series of soft data underlined the headwinds confronting the economy, which suffered its weakest growth rate in 18 months in the first quarter. A sharp slowdown in the housing market, which accounts for more than 15 percent of China's annual economic output, has also become an increasing drag on the broader economy.

Data out at the start of the week showed China factory output grew at the weakest pace in nearly six years in August, raising fears that the economy may be at risk of a sharp slowdown unless Beijing implements fresh stimulus measures.

China's leaders have repeatedly said they would use a period of anticipated slower growth to carry out structural shifts, including efforts to wean the economy off dependence on external demand and investment spending. Still, the drumbeat of weak data has heightened speculation that Beijing would be forced to do more to keep the economy on an even keel.

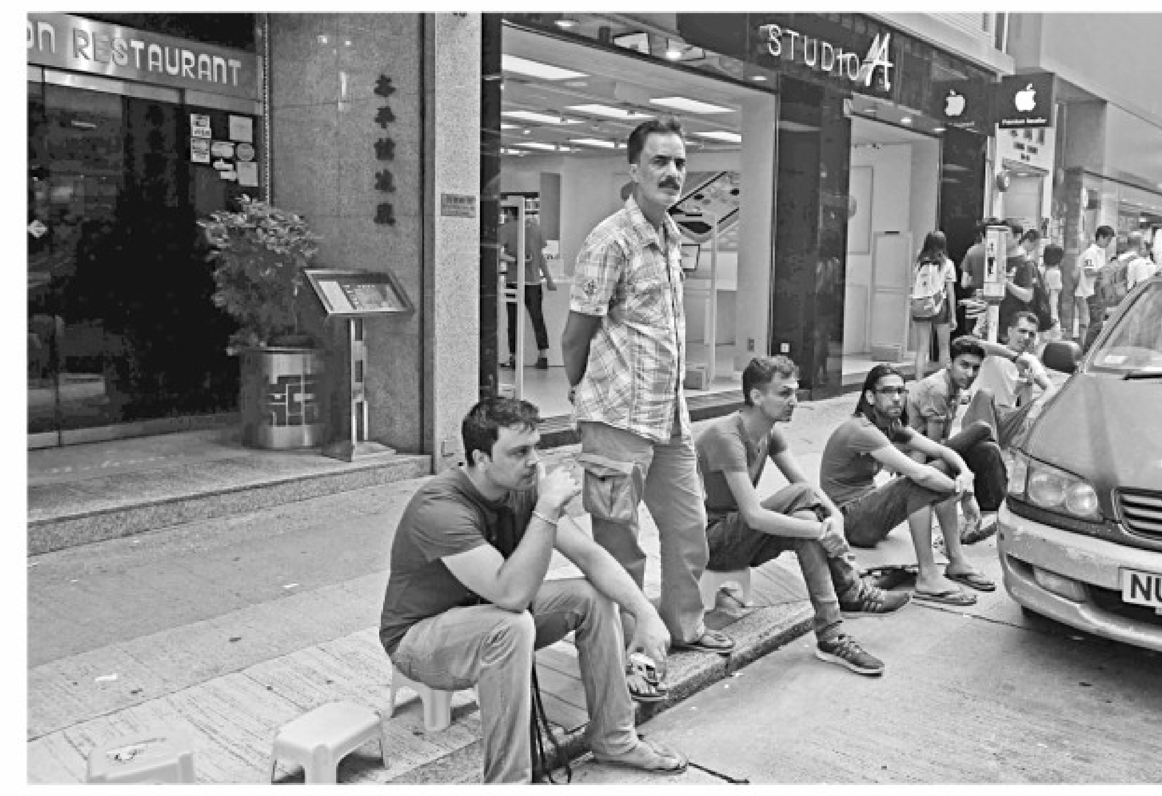
Concerns of a deeper downturn in the world's second-largest economy have buffeted global markets in recent months, and other major central banks such as the European Central Bank and the Bank of Japan are expected to ease further to support their economies. The US Federal Reserve, however, is expected to start raising rates at some point next year as growth there gathers momentum.

The benchmark seven-day bond repurchase agreement CN7DRP=CFXS opened at 3.25 percent but the weighted average rate crept back up to 3.38 percent by late session, compared with 3.33 percent the previous day.

Stocks ended firmer, with both the CEI300 index of top Chinese companies .CSI300 and the Shanghai Composite Index rising 0.5 percent.

The PBOC launched Standing Lending Facility in 2013 to supplement other monetary policy tools such as open market operations.

SLFs are mainly used to provide one- to three-month loans to directly to commercial banks to smooth out volatility in rates and its impact on the economy is seen limited compared with cuts in banks' required reserve ratios (RRR) nor interest rate.



REUTERS

People line up outside an Apple premium reseller store in Hong Kong yesterday, two days ahead of the release of iPhone 6 and 6 Plus.

IPhone comes out of a bygone era, reviewers hail bigger handset

REUTERS

Bigger is better and Apple Inc has finally realised that and given iPhone users a product that may be low on novelty but high on improvements, reviewers wrote.

Most reviewers say that the iPhone 6 is the best smartphone available or "ever made", while the 5.5-inch iPhone 6 Plus has been described as a "phablet" that will give competition to Samsung Electronics Co Ltd's Galaxy S line of 'big' Android phones.

"I think it's a terrific phone. In my view, it's the best smartphone on the market, when you combine its hardware, all-new operating system, and the Apple ecosystem whose doors it opens," Walt Mossberg wrote of the 4.7-inch iPhone 6 in the tech blog Re/code.

Geoffrey Fowler, who reviewed the phones for the Wall Street Journal, said Apple has "successfully addressed its size deficiency."

Mossberg said the increase in the screen size is a "catch-up" feature. But it is seen as a welcome change by Fowler, who said the iPhone "felt stuck in a bygone era called 2012" before the launch of the bigger phones.

New York Times reviewer Molly Wood appreciated the new "thinner, flatter and more rounded shapes" of both the phones. But she pointed out that the sleek look comes at the cost of the phones feeling "slippery".

The improvements made to the operating system - the iOS 8 software, and that to the camera were given a thumbs up by reviewers across the board. However, most believed that Apple could have done more to enhance the battery life of the phones.

Joshua Topolski, who reviewed the phones for Bloomberg, said they were faster than their predecessors.

"Apple will tell you that these are the fastest mobile devices it's ever made, and it wouldn't be lying. These phones scream," Topolski wrote. The new iPhone 6 goes on sale on Sept. 19 in the United States.

Forced labour rife in Malaysian electronics factories

AFP

The skyline of Kuala Lumpur, Malaysia.

REUTERS, *Kuala Lumpur*

Nearly a third of some 350,000 workers in Malaysia's electronics industry - a crucial link in the international consumer supply chain - suffer from conditions of modern-day slavery such as debt bondage, according to a study funded by the US Department of Labour.

The survey by Verite, an international labour rights group, found that abuse of workers' rights - particularly the tens of thousands from low-wage countries like Nepal, Myanmar and Indonesia - was rife in a $75 billion sector that is a mainstay of the Southeast Asian country's export-driven economy.

Several US, European, Japanese and South Korean multinationals have operations in Malaysia, including Samsung Electronics Co Ltd, Sony Corp, Advanced Micro Devices, Intel, and Bosch Ltd.

Some big brands use suppliers such as Flextronics, Venture Corporation, Jabil Circuit, and JCY International to make parts for smartphones, computers and printers.

The US government funding adds credibility to a report which is likely to come as a surprise to many consumers.

Malaysia is a middle-income country where labour standards have been seen as better than in some of its Asian neighbours such as China, where questionable labour practices have drawn scrutiny in recent years.

Verite did not single out any companies in its report, released on Wednesday, but blamed a system in which government and industry policies have given Malaysian recruitment firms increasing control over workers' pay and other conditions.

"These results suggest that forced labour is present in the Malaysian electronics industry in more than isolated incidents, and can indeed be characterized as widespread," the group said.

Several US companies with operations in Malaysia told Reuters they could not comment until seeing the full report. An Intel spokesman said most of the chipmaker's 8,200 employees in the country were Malaysian and it did not use contractors. Flextronics said it was aware of issues related to foreign workers and had "rigorous" policies to prevent abuses.

Malaysian government officials did not immediately respond to requests for comment.

The study comes three months after Malaysia was downgraded to Tier 3 in the U.S State Department's annual Trafficking in Persons report, which cited a lack of progress in protecting the rights of about four million foreign workers.

The report, based on interviews with 501 workers, found that 28 percent of employees were in situations of "forced labour", where work is coerced through factors including indebtedness from excessive fees charged by recruiters.

That figure rose to 32 percent for foreign workers, who are often mislead about salary and other conditions when they are recruited in home countries, and are commonly charged excessive fees that lead to indebtedness.

Verite said the numbers were based on conservative definitions. It found that 73 percent of workers displayed "some characteristics" of forced labour.

IMF, World Bank warn of renewed Gaza violence

AFP, *Jerusalem*

The World Bank and International Monetary Fund warned Tuesday that insufficient funding and political efforts to rebuild Gaza would make economic recovery almost impossible and lead to further violence.

The warnings came three weeks after Israel and Hamas signed a ceasefire to end 50 days of conflict, and as the Israeli army said a mortar fired from Gaza hit southern Israel - the first since the truce.

"Without immediate action by the Palestinian Authority, donors and the government of Israel to revitalise the economy and improve the business climate, a return to violence as we have seen in recent years will remain a clear and present danger," the World Bank quoted Palestinian territories director Steen Lau Jorgensen as saying in a statement.

And the IMF, in a report published Tuesday, mostly borrowing from statistics collected before the war, called for international efforts to alleviate an eight-year Israeli-imposed blockade.

Israel's blockade has restricted and sometimes entirely prevented certain building materials from entering Gaza, with the Jewish state saying they could be used by militants to make weapons or build attack tunnels.

US considering options if oil export ban challenged

REUTERS, *Washington*

Obama administration officials are concerned about the legality of a ban on oil exports and have begun discussing how to deal with potential challenges from nations that want to buy US crude, two sources said.

Officials in the Office of the US Trade Representative and the National Security Council have each held internal talks about potential free-trade challenges from South Korea and NATO allies, two sources familiar with the matter said.

The internal discussions, which are still at a preliminary stage, are the clearest sign yet that the Obama administration is weighing options for easing the contentious export ban, a move that could dramatically alter global oil trading flows and boost revenues for US producers currently limited to selling their crude domestically.

EU's top trade official, Mexico's state-owned oil company and South Korea's president have all pressed Washington to relax the ban, enacted by Congress after the 1970s Arab oil embargo. There does not appear to be an imminent challenge to the ban, however, experts and officials said.

Washington long ago justified the ban on national security concerns and the need to protect against a domestic oil shortage.

"Not a single one of those exceptions is likely to be able to be successfully defended if somebody challenged it," said Alan Dunn, a lawyer at Stewart and Stewart who represented Washington at the talks that created the World Trade Organization (WTO).

"That puts the White House in a position where it has to figure out what it's going to do."

Oil exports also could offer a foreign policy opportunity, allowing the United States to aid NATO allies, for example, as a geopolitical check against energy-rich Russia, one of the sources said.

A USTR spokesman said no formal talks had taken place on the issue. An NSC spokesman referred questions to the Commerce Department, which administers the export ban. The Commerce Department declined comment.

Sources declined to elaborate about the early-stage talks.

The Obama administration could eventually relax the ban, whether through free trade talks or by directly approving oil swaps, in which US light crude exports would be exchanged for imports of heavy crude oil, the preferred crude for US refiners.

For decades the oil ban was not an issue because the United States imported most of its crude. But thanks to the US shale boom, oil output is growing by 1 million barrels a year, and a glut is threatening to lower prices for domestic crude as soon as this fall.

The United States allows oil exports to Canada as long as the crude is consumed or refined there. And Pemex, Mexico's state oil company, expects to soon import US crude via a swap or a direct import agreement.

US oil producers have so far failed to convince Congress to fully overturn the ban, amid fears it could drive up gasoline prices and encourage more fracking, which environmentalists say would have dangerous consequences.

But with Asia thirsty for oil to satisfy fuel and petrochemical demand, and Europe anxious to diversify supplies away from Russia, other countries are urging the United States to practice what it has preached for decades: free trade.

The fairness issue particularly came into focus after the United States earlier this year won two WTO cases against China, which it accused of hoarding raw materials and rare earth metals.

"Oil-importing countries are watching to see if the US will apply the same standards of open trade in commodities that are not in short supply to its own economy, while it demands these standards from others," the Brookings Institution said in a report released last week on implications of lifting the ban.

The report said allowing some countries to get US oil while otherwise banning exports could be challenged as inconsistent with the global trade law, Brookings said.

A report by the US Congressional Research Service in August concluded that under international trade rules, US restrictions on fossil fuels could be difficult to reconcile with the 1994 General Agreement on Tariffs and Trade.

While the sources didn't elaborate about where the administration talks are headed, the discussions could include using exports as a way to bolster relations with allies who supported sanctions on Iran over its disputed nuclear program.

India to produce surplus sugar for fifth straight year

REUTERS, *Mumbai*

India, the world's second biggest sugar producer after Brazil, is likely to churn out a surplus for the fifth straight year despite erratic rainfall in key growing areas, a leading industry body said on Wednesday.

The south Asian country is likely to produce 25 million tonnes to 25.5 million tonnes in 2014/15 year starting Oct. 1, compared with local demand of about 23 million tonnes, the Indian Sugar Mills Association said in a statement.

The surplus production could depress local prices and increase losses of debt-ridden sugar mills, prompting the country to maintain exports to trim rising inventory.

REUTERS/FILE

A worker walks down from the sacks of sugar inside a government godown in Srinagar.