IMF's Lagarde unleashes stark UK economy Brexit warning

AFP, *London*

IMF boss Christine Lagarde waded into Britain's EU referendum battle on Friday, warning that quitting the European Union would be "pretty bad to very, very bad" for the UK economy.

The International Monetary Fund's managing director issued a bleak outlook for Britain if it votes to leave the EU on June 23.

Lagarde, unveiling the global lender's latest health check on the British economy, said a so-called Brexit could push the country into recession, echoing comments from Bank of England (BoE) governor Mark Carney.

The latest warning comes as Prime Minister David Cameron campaigns fervently to keep Britain in the 28-nation bloc.

With six weeks to go to the referendum, the Remain and Leave camps are neck-and-neck at 50 percent each, according to the What UK Thinks website's average of the last six opinion polls.

Quitting the EU would result in a "protracted period of heightened uncertainty" for Britain, with a likely hit to output and "sizeable" long-term losses in income, according to the IMF's report out Friday.

Global market reaction to a Leave vote is likely to be "negative and could be severe", it added.

- 'Forecasts all negative' -

the report at the Treasury in central London, Lagarde said IMF experts had looked at a wide range of forecasts and scenario plans and done their own calculations.

"Frankly, in the very vast majority of what we have seen, we haven't seen anything that is positive -- it's always been on the negative side," she said.

"Depending on what hypotheticals you take, it's going to be pretty bad to very, very bad," she said on the impact of Brexit on the British economy.

She said GDP could be between 1.5 percent and 9.5 percent down on what it might otherwise be if Britain were to stay in the EU.

Leave supporters, which hit out against Carney for his and the BoE's stance on Thursday, also criticised the IMF's intervention.

"IMF has talked down the UK's economy before and has been wrong in past forecasts about the UK and other countries," read a tweet from the official Leave campaign.

Lagarde told reporters that the IMF's findings were not politically-motivated.

"We're not doing it out of politics -- this is not the job of the IMF.

"We are doing it because it's a significant downside risk, number one. Second, it's not just a domestic issue... it's an international issue."

- Economy may rebound -

The IMF meanwhile forecast the British economy would rebound in the second half of this year if the country stays in the EU.

"Assuming that... the UK voters choose to remain... we will expect growth to rebound," Lagarde said.

The report was published one day after Carney warned that Brexit could prompt a technical recession, or two straight quarters of economic contraction.

Questioned about Carney's comments, Lagarde told reporters: "A technical recession is one of the probabilities in the downside scenario in case of a Leave vote."

British finance minister George Osborne, who spoke briefly alongside Lagarde, welcomed the IMF report.

"The IMF are very clear today -- the hit to growth we could expect from a vote to leave would cost our public finances more than the amount we would gain from no longer contributing to the EU budget," he said.

"Put simply, the IMF says a vote to leave costs us money. If we vote to leave, British families will be poorer and Britain will be poorer."

The Washington-based IMF will publish its final pre-referendum report on the British economy around one week before the vote.

On a visit to London last month, US President Barack Obama said Britain being in the EU magnified its global influence, and outside the bloc it would go to the "back of the queue" when it came to signing trade deals.

And Japanese Prime Minister Shinzo Abe warned earlier this month that Britain would become "less attractive" for Japanese investment outside the EU.

REUTERS

Christine Lagarde, managing director of the IMF, arrives at the Treasury to meet Britain's Chancellor George Osborne, prior to a press conference in London on Friday.

China orders banks to clear hurdles slowing private sector lending

REUTERS, *Shanghai*

China's banking regulator has sent an urgent notice to banks telling them to clear bottlenecks slowing lending to private firms, sources with direct knowledge told Reuters, highlighting rising concern in Beijing about torpid private investment.

Chinese banks sharply cut new lending in April after a record first-quarter credit spree, much of which appeared to go to the state sector and may have helped inflate asset bubbles in real estate and commodities.

According to the document seen by Reuters, the China Banking Regulatory Commission (CBRC) is requiring financial institutions to conduct checks on their implementation of central government directives intended to make it easier for private firms to access bank credit.

It also tells them to work to resolve any problems in cases where lending support to private enterprise is insufficient, including small and micro-businesses.

The document requires institutions to report their implementation results to the regulator by May 20.

The CBRC did not respond to calls seeking comment from Reuters.

The document also called for banks to reduce costs for short-term credit products such as bridge loans, which private firms rely on to stay afloat through tough business cycles, while examining risk in their loan guarantee businesses.

One of the people with direct knowledge of the order said the important part "is to implement State Council requests and notifications. The key points are areas where policy solutions have not been put into place, or measures have not been introduced, impacting private investment's stable and sustainable growth."

A broad measure of investment - fixed-asset investment - by private companies rose just 5.7 percent in the first quarter from a year earlier, a sharp slowdown from the pace of a year earlier.

In contrast, fixed-asset investment by state-owned firms jumped 23.3 percent.

Encouraging private investment is crucial for Beijing both because such investment tends to create more jobs and because such firms are seen as more efficient users of capital and more innovative in moving up the value chain.

Saudi Arabia hit by new credit rating downgrade

AFP, *Riyadh*

Saudi Arabia suffered another cut to its credit rating on Saturday as Moody's Investors Service downgraded the kingdom along with Bahrain and Oman because of the slump in oil prices.

Moody's lowered its long-term rating for Saudi Arabia to A1, which denotes low credit risk, down from Aa3, saying lower energy prices "have led to a material deterioration" in the profile of the top oil exporter.

"A combination of lower growth, higher debt levels and smaller domestic and external buffers leave the kingdom less well positioned to weather future shocks," it added.But ambitious plans announced by Riyadh to diversify its economy could lead to a credit ratings upgrade in the future, Moody's said.

Fellow agencies Standard and Poor's and Fitch have also downgraded Saudi Arabia in recent months.

The crude price collapse, from above $100 in early 2014 to around $46 on Friday, has intensified Saudi efforts to diversify the economy away from oil which makes up the majority of its revenue.

Major oil producers failed to reach an agreement on freezing output in Qatar last month as Saudi Arabia insisted any deal must include all OPEC members, including rival Iran which boycotted the talks.

Moody's lowered its rating for Bahrain to Ba2, which indicates substantial credit risk, from Ba1, with a negative outlook.

It warned that the country's government debt burden was expected "to deteriorate significantly over the coming two to three years."

RANKS PETROLEUM

Participants listen to a speaker during a seminar on lubrication solutions organised by Ranks Petroleum, a concern of Rangs Group and the sole distributor of Shell Lubricants in Bangladesh, at the Westin hotel in Dhaka. Praveen Nagpal, product application specialist at Shell Global; Rahul Dutta, country manager of Shell for Southeast Asia, and Rumee A Hossain, managing director of Ranks Petroleum, attended the event.

US retail sales stronger than expected in April

AFP, *Washington*

US consumers came back to stores in April, spending more than expected to reverse a worrisome stall in the first quarter of the year, Commerce Department data showed Friday. But with April's gains mostly in auto sales and gasoline -- the latter due to rising prices -- the data in other categories was still not as robust as hoped.

Retail sales, including food services, jumped 1.3 percent from March, to $453.4 billion, and were up 3.0 percent from a year ago. Analysts had expected a 0.8 percent rebound from March.

Auto sales, up 3.2 percent, carried the weight in April after a downturn the previous month. Also pushing up the figures last month were sales of gasoline, which gained 2.2 percent as prices rose.

Food and beverage sales also rebounded, gaining 0.9 percent, and retail sales excluding autos and food and beverages rose 1.4 percent.

Still, in many categories the gains just barely reversed the declines of March, and it was not clear how strong the rebound will be going ahead.

The overall pace of sales remains modest, pointing to slow but steady overall economic growth. Total retail sales for the three-month period from February to April were up just 0.3 percent from the previous quarter.

German unions, employers agree 4.8pc wage hike for metalworking sector

AFP, *Frankfurt*

Unions and employers in Germany's powerful metalworking industry agreed a 4.8-percent pay hike Friday in a deal that will set the tone for wage negotiations in most other key sectors of Europe's biggest economy.

In a so-called pilot agreement for the regional state of North Rhine-Westphalia -- which will serve as a benchmark for all 3.8 million workers in the sector nationwide -- employees will receive a one-off payment of 150 euros ($170) for the period from April to June 2016.

They will then see their pay rise by 2.8 percent on July 1 and again by 2.0 percent in April 2017, the mighty labour union IG Metall said in a statement.

The wage agreement, struck in the early hours of Friday, is valid for a period of 21 months. But it entails a clause allowing companies in financial difficulty to delay the one-off payment and the second stage of the increase, IG Metall said.

The union insisted the pay increase would "strengthen consumer demand," which is currently one of the main pillars of economic recovery in Germany. "At the same time, this is an agreement... which won't overstretch any firm," IG Metall said.

The head of the employers' federation Gesamtmetall, Rainer Dulger, described the pay deal as "just about affordable for companies."

The previous wage agreement between the union and the employers' federation Gesamtmetall expired in March.

Since then, both sides had been negotiating to reach a new deal for a sector that covers a wide range of engineering industries, from the automobile sector to machine-tools and the electronics and electrical goods industries.

Unions had staged a series of so-called "warning strikes", or limited walkouts, recently in a bid to turn up the pressure on the employers.

IG Metall had been demanding pay increases of five percent in view of the comfortable profit situation of many companies in the sector, while Gesamtmetall had offered of a pay rise of 2.1 percent over a two-year period.

Wage negotiations in the metalworking industry act as a benchmark for most other sectors.

BANGLALINK

Banglalink and Micromax together launched the Banglalink Micromax Q327 smartphone, for Tk 3,499, at a programme in Gulshan, Dhaka. Shahriar Ahmed Remon, head of device at Banglalink, and Riajul Islam, country manager for Micromax, attended the launch.

Cyprus economic growth hits one-year high

AFP, *NICOSIA*

The economy of bailed-out eurozone member Cyprus has recorded its strongest quarterly growth in a year, official figures showed on Friday.

Gross domestic product (GDP) grew 0.9 percent in the first quarter of 2016, compared with 0.4 percent during the October-December period, the country's statistical service said.

It was the fifth consecutive quarter of expansion and the highest rate since one percent growth was seen in the first quarter of 2015.

On a year-on-year basis, GDP was up 2.7 percent.

The figures showed growth in manufacturing, construction, trade, hotels and restaurants, transport and technical activities.

There was a contraction in financial services and household activities.

Cyprus has emerged from more than three years of economic slowdown after the government imposed harsh austerity measures in exchange for a European Union and International Monetary Fund bailout.

In return for 10 billion euros ($13 billion at the time), Cyprus agreed in March 2013 to wind down its second-largest bank, Laiki, and impose losses on depositors in under-capitalised top lender Bank of Cyprus.

In March this year, the Eurogroup of finance ministers praised Cyprus for its successful exit of the bailout programme.

Finance Minister Harris Georgiades said on Friday that he expected the Cyprus economy to grow by 2.2 percent in 2016 and the island should have a steady 2.5 percent growth rate by 2019.