Bank of Japan may shift policy focus to rates as monetary firepower wanes

REUTERS, Tokyo

The Bank of Japan could shift negative interest rates to the primary focus of its monetary policy on Wednesday, heightening market disquiet over what any move away from quantitative easing reveals about the waning firepower of global central banks.

With three years of massive money printing failing to push up inflation, the BOJ is expected to move away from shock therapy and towards a protracted battle against deflation, say sources familiar with its thinking. The BOJ's "quantitative and qualitative easing" (QQE) has been a signature policy of Governor Haruhiko Kuroda since 2013 that aimed to shock the economy out of stagnation and change households' deflationary mindsets.

While the central bank is unlikely to ditch QQE completely, altering its emphasis would herald an end to the "shock and awe" approach that made Kuroda's policies unique compared with the gradualist approach preferred by his predecessors.

A less aggressive approach would also come as a world of tame growth and low inflation force the U.S. Federal Reserve to go slow on raising interest rates and the European Central Bank to concede the limits of what monetary policy alone can achieve.

Policymakers got a taste of how markets might react last week when investors dumped longer-dated bonds on fears the BOJ would slow its purchasing pace.

Super-long Japanese government bond yields have rocketed since the BOJ announced at its July 28-29 meeting its plan to conduct the comprehensive assessment in September.

The 20-year JGB yield, which hovered around 0.125 percent on July 29, hit a six-month high of 0.495 percent on Sept. 14.

The 30-year JGB yield, which hovered around 0.260 percent on July 29, also hit a six-month high of 0.585 percent on Sept. 14.

The challenge for the BOJ will be how to back away from QQE without scaring investors into a stampede out of government bonds.

"The BOJ insists that it still has many tools available. But the costs of using these tools are rising and the benefits are diminishing, especially for its huge asset purchases," said Izuru Kato, chief economist at Totan Research. "Deepening negative rates has enormous costs too but practically, that's probably the only usable tool left."

The BOJ will debate the changes when it conducts a comprehensive assessment of its policies at a rate review on Sept. 20-21, the same days as this week's Fed policy meeting. Under QQE, the BOJ has been increasing base money - or the amount of money it prints - at an annual pace of 80 trillion yen ($783 billion). Analysts say the BOJ will struggle to buy enough bonds in coming years with its huge purchases draining liquidity.

Sources have told Reuters the BOJ will shift its prime policy target to the 0.1 percent negative rate it charges on a portion of excess reserves financial institutions park with the central bank that was introduced in February.

Wary of a flattening yield curve that risks impairing financial intermediation, it will also seek ways to steepen the curve such as making its bond buying more flexible.

But the BOJ must manage any such shift without giving markets the impression it could withdraw its massive stimulus.

Sources say the board may consider deepening negative rates to show its determination to maintain an ultra-easy policy bias, though analysts doubt whether a deepening could do much to boost growth.

"Any such move won't have much positive effect on the economy," said Yasuhide Yajima, chief economist at NLI Research Institute. "Unless the BOJ accompanies rate cuts with increased asset purchases, it won't help weaken the yen much either."

Kuroda must also muster consensus from a fragmented board, where even those who favour more easing are divided over the most effective method. Some want to shift to a rate target, but others want to keep focusing on expanding asset purchases.

"Kuroda created QQE, so it's his symbol. Making big changes to that would be admitting defeat," one of the sources said. "I wonder whether that's possible while Kuroda is governor."

Airbus chief says job cuts not off table

AFP, Blagnac, France

Airbus chief Tom Enders said Monday he did not rule out job cuts at the European aircraft manufacturer after a media report said the group was considering slashing costs.

"You never exclude anything when you're talking about efficiency and synergy but we're in the process of thinking it all through, how we can make our corporate structures leaner and more efficient," Enders told AFP, when asked if cost-cutting could hit staff.

The Financial Times reported Monday that Airbus was eyeing savings that could include job cuts as the company tries to deal with slow sales for the A380 super jumbo and manufacturing problems with the A400M military transport plane.

It said the company was seeking to reduce duplication between its aircraft division, which accounts for just over two-thirds of revenues, and the parent company and other divisions. Enders declined to confirm that any restructuring plan was imminent.

However, he said "cost is always an element in any normal company, competition is relentless, competition is always increasing.

"All we're doing is thinking of how we can make this company faster, more efficient, more successful, in tomorrow's business world."

In July the company booked a just over 1-billion-euro ($1.1-billion) charge due to delays in deliveries of the A400M and said it was slowing its production of the A380 as new orders have dried up for the aircraft.

The company is meanwhile trying to boost production of its most popular aircraft, the A320, which helped bring Airbus's order book up to 978 billion euros at the end of June.

Sohail Majid, head of marketing and sales at Novoair Ltd, and Abdus Sabur Khan, head of cards at Southeast Bank, exchange the signed papers of a deal at a programme on September 7. The bank's credit cardholders will enjoy equal monthly instalment facility for up to six months for packages of Novoair.

NOVOAIR

Qatar to create its own 'Wall Street'

AFP, Doha

Qatar plans to establish its own version of New York's "Wall Street" financial district, a senior official said Monday, as the emirate seeks to cut its reliance on oil and gas.

Yousuf Mohamed Al-Jaida, head of the Qatar Financial Centre (QFC), said businesses including his own will relocate to the previously run-down Msheireb area of Doha from mid-2017.

The project comes as gas-rich Qatar seeks to establish itself as a regional commercial powerhouse.

The aim was to improve Qatar's financial standing and create Doha's "version of Wall Street or (London's) Canary Wharf", said Jaida. "The objective... is to create a leading financial and business centre in the region," he said.

"The relocation is part of our commitment to support Qatar in its efforts to diversify national income sources," Jaida told a Doha press conference to announce the relocation.

The new financial centre will cover an area of up to 300,000 square metres (3.2 million square feet).

Jaida said he hoped the QFC's relocation from central Doha would act as a catalyst for other companies including the Qatar Stock Exchange to follow suit.

Msheireb is a major regeneration project in downtown Doha which seeks to revive an old commercial heart of the capital at an estimated cost of more than $5 billion.

It will not only incorporate the financial centre but also luxury apartments and museums.

World Cup 2022 host Qatar's attempts at economic diversification comes as it faces an estimated budget deficit of more than $12 billion in 2016, its first in 15 years.

German economy could slow in third quarter

REUTERS

German economic growth could slow in the third quarter, primarily due to weak manufacturing export demand, the Bundesbank said on Monday, downgrading its outlook for the euro zone's biggest economy after a slew of subdued data.

Germany, the 19-member currency bloc's economic powerhouse, has unexpectedly struggled in recent months with poor industrial output and trade figures dragging down sentiment, suggesting that the euro zone's already subdued growth expectations may still be too optimistic.

"After robust growth in the spring, Germany's economy is likely to expand somewhat more slowly in the third quarter of 2016," the central bank said in a monthly report. "This is in part reflected in the significant deterioration in corporate sentiment."

"Economic indicators at the start of the quarter have been very weak, particularly in industry," the Bundesbank said.

The warning is in stark contrast with its previous prediction that the economy would grow in line with the "robust underlying cyclical upthrust" in the quarter.

Industrial production fell the most in 23 months in July while exports unexpectedly posted their steepest drop in nearly a year, adding to evidence that manufacturing is losing momentum as overseas demand, particularly in Asia, continues to wane.

Italy, the bloc's third-biggest economy, last week said it would cut its growth forecast while France, the euro zone number two, still expects growth to rebound in the quarter after stalling in the previous three months but may struggle to meet its full-year projection.

The European Central Bank meanwhile just upgraded its 2016 euro zone growth projection to 1.7 percent from 1.6 percent, even as it highlighted ample risk to its outlook.

Still, the Bundesbank said the underlying economic trend is expected to remain strong on the back of favourable fundamentals even if near-term challenges are piling up.

With export demand waning and even private consumption showing signs of slowing, Berlin is facing calls to cut taxes and increase investment in education, infrastructure and high technology.

A federal election due next autumn also complicates life for the government as Chancellor Angela Merkel has made sound economic management in the face of repeated crises the hallmark achievement of her tenure.

The government earlier said it expected growth at 1.7 percent this year, slowing to 1.5 percent next year.

Cyprus records best ever August for tourist arrivals

AFP, Nicosia

Mediterranean holiday island Cyprus recorded its best ever August when arrivals jumped nearly 17 percent to reach more than 458,000 visitors during the peak season, official data showed Monday.

"August 2016 had the highest volume of tourist arrivals ever recorded in Cyprus during the specific month," the finance ministry said.

In a clear indication that the economy is on an upward curve, August marked a 16.9-percent hike in tourist arrivals compared to the same month in 2015.

Only July saw more tourists for a single month with a record 482,000 arrivals.

Tourists from Britain -- the island's top holiday market -- increased 9.9 percent in August to 172,236, while the second largest market Russia jumped 36.8 percent to 122,843.

There was also a 61-percent increase in holidaymakers from Israel, with 27,048 arrivals.

For the first six months until June, revenue from tourism increased 13.7 percent to 831.2 million euros ($928 million),up from 730.9 million in the same period of 2015.

With the island seen as a "safe" destination in a region of turmoil and terror threats, state-run Cyprus Tourism organisation projects a bumper tourist season that could surpass the three-million barrier this year.

Cyprus exited a harsh bailout programme in March garnering praise from international lenders for its impressive turnaround.

Tourism revenues account for around 12 percent of the EU state's GDP and are credited for ensuring that Nicosia made a relatively quick recovery.

Following a 10-billion-euro rescue package to save a crumbling economy and insolvent banks in March 2013, Cyprus has returned to growth.

Saudi hospital staff strike over unpaid wages

AFP, Riyadh

Staff at a hospital in eastern Saudi Arabia have gone on strike over unpaid wages, workers said Monday, in the kingdom's latest case of corporate financial difficulties.

"We are on strike," a nurse at Saad Specialist Hospital in the Gulf coast city of Al-Khobar told AFP by telephone.

"We didn't receive any salary for three-and-a-half months," she said, unwilling to be identified out of fear of being fired.

She said the hospital is part of Saad Group, whose website says the Saudi-based firm runs "diversified businesses" in the Gulf and has investments around the world.

The finance and construction conglomerate controlled by Saudi billionaire Maan al-Sanea made a high-profile and acrimonious split from another Saudi business group, the Algosaibi family, in the wake of the 2008-2009 global financial crisis.

Saudi construction firms have been particularly hard hit this year, with tens of thousands of employees left unpaid.

Sources in March told AFP that delayed receipts from the government, whose oil revenues have slumped over the past two years, had left employees of the kingdom's construction giants struggling.

"The hospital doctors and nurses are on strike," a hospital security worker confirmed to AFP.

A spokesman for Saad Specialist Hospital could not immediately be reached for comment.

The nurse told AFP that "almost all" the medical staff, which includes about 1,200 nurses, have joined the strike action in a country where labour unions are banned.

Lower-paid housekeeping and security staff have been paid and remain at work, she said.

"They promised us, after Eid you will receive your salaries but we didn't," the nurse said, referring to Muslim holidays last week.

About 100-150 hospital workers stood outside the hospital on Monday morning as part of the walkout.

They also planned to visit the local governor's office to state their grievances, and if that brings no results they would continue the job action on Tuesday, the nurse said.

Only out-patient clinics are closed during the strike and urgent cases are not endangered, she said.

Digitise all spheres to reap benefit of new tech: analysts

FROM PAGE B1

Roy puts his faith on youths in all South Asian countries.

"They are all the same which is encouraging. What is good about this generation is that they all belong to the digital age and they have embraced a digital life very early in their life and understand how to make the best out of it," he said.

"When it comes to utilising and making the best of the digital age, today's youth across the world are almost empowered to be able to do that." Roy is also aware of the digital work taking place in Bangladesh.

"In the backend of the office operations such as software and digital designing, Bangladesh has been doing very well. I know that there are several companies which are engaging with Bangladeshi firms to get their work done."

Roy also talked about Reliance's launch of 4G mobile services that are expected to shake the Indian market and aim to bring millions of Indians online. Launched on September 5, Reliance Jio network is offering customers three months of free services followed by free calls and data plans the company claims are the cheapest in the world.

"This is perhaps the biggest venture in the telecom sector in the world. Nowhere anything like this has been attempted given its scale as it is aiming to cover the whole geography in one go," said Roy.

It is a complete change the way telecom or internet will be seen in the future, at least in India, he said.

He said India stood 155th in terms of broadband penetration, according to the 2014 UN Broadband Commission ranking.

"With Jio we hope to be in the top 10 simply because of the huge number of people in India. If they have access to the internet at the speed with the Jio service, it will make India one of the top ranking countries in the world."

He said because of poor performance, unaffordable rates and many other such problems, the average consumption rate is in kilobytes. During the trial offer the company has found that there are people who are consuming as much as 25 gigabytes a month.

"What we are seeing is if the prices are right and experience is good, India will see a phenomenal change in terms of the consumption pattern."

fazlur.rahman@thedailystar.net

EDISON GROUP

Edison Properties Ltd has recently signed a deal with Anika Farzana Chowdhury, a land owner, for the construction of a commercial/apartment building under a joint venture project on Gulshan North Avenue. Aminur Rashid, chairman of Edison Group; Jakaria Shahid, managing director, and Tasaddek Hossain, senior director of Edison Properties Ltd, attended the deal signing ceremony.