

OECD sees growth flounder as globalisation stalls

REUTERS, Paris

Global economic growth will flounder this year and next at rates not seen since the financial crisis as the march of globalisation grinds to a halt, the OECD warned on Wednesday.

Long a motor for the global economy, trade growth is set to lag growth in the broader world economy this year, the Organisation for Economic Cooperation and Development said in an update of its main economic forecasts.

"This is well below past norms and implies that globalisation as measured by trade intensity may have stalled," the Paris-based organisation said.

As a result, the OECD estimated the global economy would muster growth of only 2.9 percent this year, down from a forecast of 3.0 percent in its last estimates in June and the lowest rate since the global financial crisis of 2008-2009.

The OECD said many global supply chains that add economic value at each stage and are often rooted in China and other east Asian countries were unravelling as China sought to wean its economy off of exports for growth and some firms brought back production to their home countries.

A growing backlash against trade liberalisation as well as recessions in some big commodity-producing countries were adding to the trade slowdown, which the OECD warned could erode already flagging productivity and thus ultimately living standards.

"If we could get back on track with the kind of trade growth that we had in the 1990s and 2000s, we would be able to return to productivity growth rates prior to the financial crisis," OECD chief economist Catherine Mann told Reuters in an interview.

"Productivity has basically fallen by half since the financial crisis and that is a recipe for breaking promises to all of our citizens," she said.

A backlash against trade has surged onto the political agenda of several countries facing elections in the coming months.

US presidential candidate Donald Trump has campaigned hard to roll back trade liberalisation while Germany and other European countries saw tens of thousands of



REUTERS/FILE

Shipping containers are seen unloaded at a port area in Lianyungang, China.

people protest on Saturday against planned free trade deals with the United States and Canada.

Mann said that while voters could easily see losses from increased trade in the form of job cuts, the gains - lower prices for goods and more choice - were less visible.

With global growth seen picking up to only 3.2 percent next year - trimmed from 3.3 percent in June, Mann warned that would be too little to generate the jobs that youths expected and to respect pension promises to the elderly.

"This is not a pretty picture for global growth," Mann said. "Across the board a three percent growth rate is insufficient to keep promises to citizens."

The OECD said that growth in the United States was in particular looking weaker than only a few months ago, forecasting growth in the world's biggest economy at 1.4 percent this year, down from a forecast of 1.8 percent in June.

Although that would be the weakest growth

since the financial crisis in 2009 and weaker than the euro zone's 1.5 percent, the OECD said that the US Federal Reserve should go ahead with an interest rate hike of a quarter percentage point.

That would help keep asset prices from galloping ahead of growth in the real economy, potentially creating bubbles, Mann said as Fed policymakers prepared for a rate decision on Wednesday.

Next year, the OECD sees US growth picking up to 2.1 percent, down from 2.2 percent in its last forecasts from June.

The OECD estimated the British economy would suffer less than initially feared as a result of the vote in June to leave the European Union.

It forecast British growth of 1.8 percent, up from 1.7 percent in June. However, it cut the outlook for 2017 by half to only 1.0 percent as uncertainty about Britain's trading relationship with the European Union lingered.

India to fund eastern gas pipeline to kick-start growth

REUTERS, New Delhi

India's government will partly fund a \$2 billion gas pipeline project linking five eastern states to help kick-start economic growth in a region that has trailed the rest of the country, the oil minister said on Wednesday.

The 2,500-km pipeline is to be built by state-run GAIL (India) Ltd, and this will be the first time the government is offering budgetary support as part of Prime Minister Narendra Modi's plan for more balanced development.

Oil Minister Dharmendra Pradhan said the government will meet 40 percent of the cost of the pipeline that will run through the states of Uttar Pradesh, Bihar, Jharkhand, West Bengal and Odisha, which together account for nearly 40 percent of India's 1.3 billion population.

"This will be the first time that government spending will be made for pipeline infrastructure. This will help in achieving the prime minister's vision of the economic development of the eastern states," Pradhan

told reporters after a cabinet meeting.

India's economic development has been concentrated in the western and southern states, where there is better infrastructure and more accessible energy supplies. These states get piped gas supplies for household and transportation.

Pradhan said the government was hoping the new pipeline would help attract investment in the agro processing industry in the eastern region. The government has already removed the cap on foreign direct investment in the sector but no unit

The new pipeline will also help in efforts to revive three fertilizer plants, which Modi's campaign had promised to do for the region in his 2014 election run.

India's gas demand is expected to go up by as much as 10 million cubic meters a day once the pipeline is completed in a little more than two years.

Natural gas accounts for about 6.5 percent of India's overall energy needs, far lower than the global average. India plans to raise the share of gas in its energy mix to 15 percent over the next three years.

Almost 5,500 UK-based firms use European passporting: regulator

AFP, London

The 'passport' rights allowing 5,500 British-based financial firms to operate freely across the European single market are at stake, the country's financial watchdog has revealed in highlighting potential fallout from Brexit.

Some 8,000 financial firms based elsewhere in the European Union also do business in Britain via passporting, and their rights are likewise threatened, data from the Financial Conduct Authority (FCA) regulator showed.

The passport scheme allows companies to do business across the 28-nation European Union -- and the 31-strong European Economic Area which includes Iceland, Liechtenstein and Norway.

In the run-up to Britain's EU exit referendum in June, major players in the City of London finance district warned about the impact of possible departure from the EU single market -- and the loss of passporting.

The future of those rights is uncertain ahead of the expected start of Brexit negotia-

tions next year to draw up a formal new trade deal with the EU.

"These figures give us an initial idea of the effects of losing full access to the single market in financial services," said lawmaker Andrew Tyrie, who heads parliament's Treasury Select Committee (TSC). "The business put at risk could be significant."

The FCA figures were published in a submission to the influential committee on Tuesday. Britain's Boris Johnson -- a vocal Brexit supporter who is now foreign secretary -- declared in July that he expected the country to retain passporting rights.

However, Germany's central bank chief Jens Weidmann said Monday that British banks would risk losing their automatic right to trade in EU states when the country leaves the bloc.

"Passporting rights are tied to the single market and would automatically cease to apply if Great Britain is no longer at least part of the European Economic Area," Weidmann said in comments to various media.

Qatar budget will be back to near balance by 2018

AFP, Doha

Qatar's budget should be back to "near balance" by 2018, as it overcomes the shock waves from a global fall in energy prices, economists at Qatar National Bank have forecast.

The QNB, in its "Qatar Economic Insight" report, predicts that rising oil prices and the introduction of a value-added tax will help Qatar recover from the deficits expected in 2016 and 2017.

"The government's budget balance is expected to register a deficit of 5.3 percent of GDP in 2016 and 2.2 percent in 2017, before recovering to near balance in 2018," the report said.

"The government's revenue is expected to recover in 2017 with rising oil prices.

"Furthermore, the introduction of a value-added tax (expected at 5 percent rate) should boost the government's revenue in 2018 by about 1 percent of GDP."

This year Qatar faces its first budget deficit in 15 years -- expected to total more than \$12 billion -- as the emirate copes with the oil price slump.

Qatar, a major energy exporter, has 40 years' worth of oil reserves and 135 years' worth of gas at current extraction rates, the QNB said.

Despite belt-tightening in some sectors, spending on major infrastructure projects will continue as the country prepares to host the 2022 football World Cup, the bank added.

Dollar gains after BOJ changes policy framework

REUTERS, Tokyo

The dollar jumped on Wednesday after the Bank of Japan altered its policy framework, and investors bought back the US currency ahead of the outcome of the Federal Reserve's policy meeting later in the session.

Japan's central bank, overhauling its massive stimulus programme, decided to scrap its focus on monetary base and set targets for long-term rates.

The BOJ maintained the 0.1 percent negative interest rate it applies to some of the excess reserves that financial institutions park with the central bank.

But it abandoned its base money target and instead set a "yield curve control," under which it will buy long-term government bonds to keep 10-year bond yields around current levels of zero percent. The dollar was up 0.8 percent at 102.54 yen, after rising to a nearly one-week high of 102.67.

"The monetary base was abandoned, which could be supportive for the dollar, overall," said Kaneo Ogino, director at foreign exchange research firm Global-info Co in Tokyo. "Many people expected the BOJ not to take any action at all, and the yen to strengthen, so we now see many people buying the dollar back," he said.

The euro surged 0.7 percent to 114.17 yen after earlier dropping as low as 112.50, its lowest since Aug. 16.

Against the dollar, the European unit was down 0.2 percent at \$1.1133.

Japanese data released earlier on Wednesday showed exports fell 9.6 percent in August from a year earlier, posting an 11th straight month of decline.

Asia sentiment hits five-quarter high as China, Brexit worries ease

REUTERS, Seoul

Sentiment at Asian companies edged up to its highest level in five quarters in July-September, boosted by signs that China's economy is stabilizing and as concerns about Britain's move to exit the European Union recede, a Thomson Reuters/INSEAD survey showed.

But businesses cited the policy uncertainty from a potential victory for US Republican presidential candidate Donald Trump, as well as energy prices as key risks.

The Thomson Reuters/INSEAD Asian Business Sentiment Index, representing the six-month outlook at 118 firms, was 68 in the third quarter against 67 three months prior - marking the third consecutive quarterly gain from a four-year low in December. A reading over 50 indicates a positive view.

"The risks in China look more manageable. Brexit has not yet resulted into a full-blown crisis so there is a hope that it will be contained," said Antonio Fatas, a Singapore-based economics professor at INSEAD.

The index started in 2009 with an all-time low of 45, but has largely hovered between 60 and 70 in the years since then.

China, the world's second-biggest economy, had a subindex of 90, its highest since the first quarter of 2011. Four of five respondents in China rated their six-month business outlook as positive, while one was neutral.

China's factory output and retail sales grew faster than expected in August buoyed by a strong housing market and a govern-



REUTERS/FILE

A woman carries a prawn sandwich on a Union Jack-coloured paper plate at the Clacton United Kingdom Independence Party Committee Brexit party in a town in eastern England.

ment infrastructure spending spree, suggesting the country's third-quarter growth is holding up better than expected.

Australia, a major supplier of resources to China, saw this quarter's biggest gain in sentiment, with a 19-point jump in its subindex to 88, as the economy expanded at its fastest annual pace in four years in the second quarter.

Singapore was this quarter's steepest decliner, with a 25-point slump in its subindex to 38. Singapore's exports in August stagnated, adding to concerns for the city-state which has been hurt by the

tumble in oil prices and last month cut its economic growth forecast.

In contrast, companies in the Philippines were the most optimistic for a fifth straight quarter, with a subindex of 94, due to strong economic growth in the Southeast Asian nation.

South Korea and Japan posted a neutral index of 50 each, with business sentiment dropping from 73 in the case of Korea and climbing from 46 for Japan.

A Trump US presidency and energy prices were most often cited as the biggest business risks for the firms, with 15 of 114

India wants to add UAE, Saudi oil for strategic reserve

REUTERS, Mumbai

India is talking to the United Arab Emirates (UAE) and Saudi Arabia to fill half of the 1.5 million tonnes of the Mangalore strategic storage, along with Iranian crude, its oil minister said on Wednesday.

Dharmendra Pradhan told a news conference India is exploring two to three other models for sourcing oil to fill the remainder of the

storage.

During Saudi Arabia Energy Minister Khalid A. Al-Falih's visit to New Delhi in October, India plans to discuss the filling of the Mangalore strategic storage, and investments in refinery and petrochemical projects.

Globally, most of the biggest crude oil consuming countries have a strategic storage capacity of at least 50 days, but India currently stands

less than 10 days.

In 2005, the Oil Ministry had set up Indian Strategic Petroleum Reserves Ltd (ISPRL) to build strategic storages in India.

Under phase I of development, the company has built a total of 5.33 tonnes of storage capacity in three locations - Vizag (1.33 tonnes), Mangalore (1.5 tonnes) and Padur (2.5 tonnes). Only Vizag is currently operational.

EU to scrap daily limits on mobile telecoms roaming

REUTERS

The European Commission said on Wednesday it would propose scrapping daily limits on mobile telecoms roaming following criticism of its initial idea to limit the amount of time consumers could use their phones abroad.

Andrus Ansip, European Commissioner for the digital single market, told a news conference that there would no longer be a formal limit. "We will not put any limit in terms of days... but we decided to put clear safeguards in terms of residency," he said.

The Commission's initial proposal was to allow consumers to roam for up to 90 days per year and for a maximum of 30 consecutive days.