RUNNER GROUP

Hafizur Rahman Khan, chairman of Runner Group, opens a daycare centre—Color Pencil—for the children of the employees, at the group's Tejgaon head office in Dhaka on Sunday.

India's manufacturing growth eases in August

REUTERS

Growth in India's manufacturing sector unexpectedly slowed in August as domestic demand softened, a private business survey showed on Monday.

Data on Friday showed India's economy expanded 8.2 percent in the April-June quarter, its fastest pace in more than two years, driven by solid growth in manufacturing and consumer spending.

But the Nikkei Manufacturing Purchasing Managers' Index, compiled by IHS Markit, suggested a slight loss of momentum last month.

The activity gauge fell to a three-month low of 51.7 from July's 52.3. Analysts polled by Reuters had expected growth to pick up, forecasting a reading of 52.8.

Still, the rate of expansion remained solid. The PMI has not been below the 50-mark which separates growth from contraction since July 2017, when manufacturing took a hit from the hasty implementation of a goods and services tax.

Although sub-indices tracking output and total orders touched three-month lows last month, foreign demand rose at the quickest pace since February despite global trade tensions.

A weakening Indian rupee, which has been hitting fresh lows against the US dollar in the past few months, likely boosted exports.

Meanwhile, input prices rose at the slowest pace since May and the rate of increase in output prices fell, signalling a further easing in overall inflation pressures.

"Indian manufacturers retained positive projections for output over the next 12 months, but the level of sentiment eased in August. Indeed, some of the key headwinds facing the economy include high global oil prices, monetary policy tightening, and capital outflows from emerging markets," IHS Markit economist Aashna Dodhia said in a statement.

Russia's oil industry can shoulder extra taxes: finance ministry

REUTERS, *Moscow*

Russia's oil industry is awash with cash and will be able to withstand the planned 1 trillion roubles ($15 billion) in extra taxes over the next six years, Alexei Sazanov, the head of the tax department in the finance ministry, said in an interview.

The government is looking for extra money to implement President Vladimir Putin's pledges of higher social spending and better infrastructure over the next six years, expected to cost around 8 trillion roubles.

The new oil tax changes will see an increase in the mineral extraction tax and a gradual reduction in oil and oil products export duty. The changes will be introduced step by step over the next six years starting from Jan. 1, 2019.

"The oil industry expects 2 trillion roubles worth of free cash flow this year. This is the money which they may send either for dividends, share buybacks or to redeem loans. Those are huge figures," Sazanov said.

"So we have found resources to additionally finance budget spending worth 1 trillion roubles over six years (from oil taxes)." Russia's top oil producers Rosneft and Lukoil both recently announced share buyback plans.

Sazanov said the oil tax reform was unlikely to affect domestic oil production, which is close to a 30-year high of more than 11.2 million barrels per day.

As a protective measure against Western sanctions over Moscow's role in Ukraine's conflict and alleged hacking in the United States, and part of the tax overhaul, oil refineries will be able to get compensation in the form of a negative excise tax.

Sazanov said the negative excise tax would amount to around 600 roubles per tonne of oil on average under a scenario where the oil price was $60 per barrel and the rouble at 58 per $1.

He said the level of negative excise tax, as well as some other components of the tax reform, were still subject to discussions and tweaks.

UK goods makers see weakest month in 2yrs

REUTERS, *London*

British manufacturers had their weakest month in over two years and export orders suffered a rare decline in August, a warning that a world economic slowdown, as well as the approach of Brexit, is weighing on the country's factories, a survey showed.

The IHS Markit/CIPS UK Manufacturing Purchasing Managers' Index (PMI) fell to 52.8, its lowest level since July 2016, immediately after the Brexit vote, and a lot weaker than a median forecast of 53.8 in a Reuters poll of economists.

Sterling weakened against the dollar and the euro after the data, and economists said that the prospect of leaving the European Union in March next year without any trade agreement appeared to be weighing on sentiment.

"The main reason for the fall in the headline orders was a contraction in export orders, suggesting that the possibility of a 'no deal' exit from the EU in March and a moderation in global growth is starting to weigh more heavily on the sector," said Andrew Wishart, UK economist at consultants Capital Economics.

Rob Dobson, an IHS Markit director, said manufacturing — which accounts for about 10 percent of Britain's economy — looked increasingly lacklustre in August.

"The latest PMI report is broadly consistent with zero growth in manufacturing production, meaning the sector will likely fail to provide any support to the wider UK economy in the third quarter," he said.

New orders were the weakest in more than two years, weighed down by the first drop in export orders since April 2016, and hiring by manufacturers almost stagnated.

"Some firms linked lower inflows of new work from abroad to the recent weaker pace of expansion of the world economy," Markit said, adding the recent weakening of the pound had not boosted exports.

The lack of clarity over the terms of Britain's departure from the European Union in less than seven months' time helped push business confidence to a 22-month low.

Inflation pressure remained strong, Markit said, although prices charged by manufacturers grew less quickly than in July.

The PMI for Britain's larger services industry is due to be published on Wednesday, helping to give investors a clearer sense of whether the economy has managed to maintain its recovery from an early 2018 slowdown.

REUTERS/FILE

A worker examines an aluminium component inside the factory of precision engineering company Produmax in Shipley, Britain.

Sliding optimism affects euro zone factories

REUTERS, *London*

Euro zone manufacturing growth slowed to a near two-year low in August as optimism dwindled amid growing fears of an escalating global trade war, a survey showed on Monday.

However, this edition of the survey should be treated with some caution. It only represents about 70 percent of the usual sample size as swathes of European factories take a brea IHS Markit's August final manufacturing Purchasing Managers' Index dropped to a 21-month low of 54.6 from July's 55.1, unchanged from an initial reading, yet still comfortably above the 50 level that separates growth from contraction.

An output index, which feeds into a composite PMI due on Wednesday and is regarded as a good gauge of economic health, nudged up to 54.7 from 54.4.

"Euro zone factories reported a further solid production gain in August, but prospects dimmed further as growth of new orders hit a two-year low and worries about the outlook deepened," said Chris Williamson, chief business economist at IHS Markit.

Forward-looking indicators such as employment, optimism and new orders all fell, suggesting there would be little if any pick-up in activity this month.

The future output index, which measures optimism, fell from 62.4 to 61.0 - its second lowest reading since late 2015.

Manufacturers are increasingly concerned about a growing global trade dispute. US President Donald Trump has told aides he is ready to impose tariffs on $200 billion more in Chinese imports.

So to try and drum up demand, factories increased prices at the weakest rate in a year. Official data on Friday showed inflation in the bloc eased to 2.0 percent last month, supporting the European Central Bank's assessment that a recent spike may only be temporary.

Still, price pressures have built up enough for the ECB to curb some of its measures. The central bank plans to end its bond purchase program this year, although interest rates are expected remain unchanged for another year.

Md Jalalul Azim, CEO of Pragati Life Insurance Ltd, and Zia Choudhury, country director of Care Bangladesh, exchange the signed documents of a deal at the latter's head office in Dhaka recently for providing micro life and health insurance to beneficiaries of Shomoshti, a Care project on supporting poor and disadvantaged rural households.

PRAGATI LIFE INSURANCE

Yemen government announces pay rise amid protests

AFP, *Aden*

Yemen's embattled government has agreed to raise the salaries of thousands of public-sector employees, including pensioners, amid protests which have left one person dead.

One protestor was killed Sunday after being shot by police in the Al-Daleh district in the south, where mass rallies have pushed the government to announce a string of raises, according to a hospital source and eyewitnesses.

For more than a year, the Yemeni government has been unable to pay salaries in the impoverished and war-torn country, as the local currency plummets against the dollar.

Late Sunday a cabinet meeting in Riyadh chaired by President Abedrabbo Mansour Hadi, who has lived in exile since 2015, approved "an increase in civil sector salaries, including retirees and contractors", Yemen's state-run Saba news agency reported.

It was not immediately clear when the raise would take effect.

The decision came hours after hundreds of people took to the streets of Aden, the southern province that now serves as the government's de facto capital, burning tyres and blocking main roads to demand government aid.

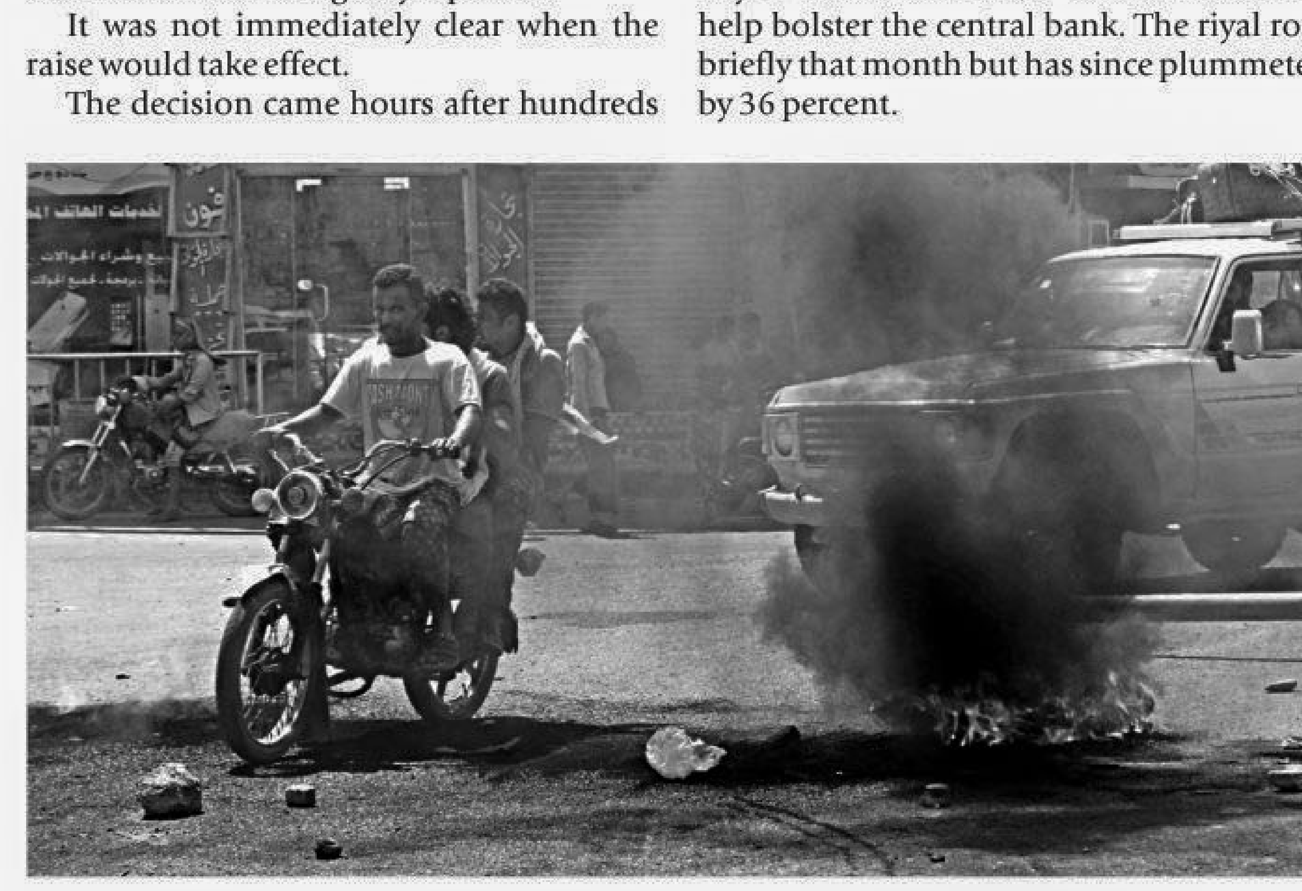
Dozens of residents gathered in the streets of Aden again on Monday, as many local shopkeepers shuttered their doors in another act of protest.

Organisers of the demonstrations have called for civil disobedience until the government instates measures to aid millions of Yemenis struggling to survive.

The riyal has lost more than two-thirds of its value against the dollar since 2015, when Saudi Arabia and its allies joined the government's fight against Yemen's Huthi rebels.

The economic downturn, along with a blockade on the rebel-held international airport and ports, has left Yemenis unable to afford food staples and bottled water.

In January, Saudi Arabia -- Hadi's main ally -- announced a $2 billion bailout to help bolster the central bank. The riyal rose briefly that month but has since plummeted by 36 percent.



AFP

Men riding a scooter pass near tire set ablaze by protesters in Yemen's second city of Aden on Sunday.

Trade worries help dollar settle at one-week high

REUTERS, *London*

The dollar consolidated near a one-week high against a basket of rivals on Monday as tensions around global trade negotiations fueled demand for the greenback, though concerns about capital flows checked gains.

US President Donald Trump said on Saturday there was no need to keep Canada in the North American Free Trade Agreement and warned Congress not to meddle with the trade talks or he would terminate the trilateral pact altogether.

"Trade tensions are broadly supporting the dollar, but the market is hardly very conducive of risk," said Viraj Patel, an FX strategist at ING in London.

Traders bought the dollar against the British pound GBP=D3 and the Canadian dollar. The dollar's status as the chief reserve currency makes the US currency the primary beneficiary of concern over trade conflicts.

But gains were limited as analysts pointed out the quality of capital inflows into US assets has worsened noticeably in recent weeks, suggesting the dollar's rise may be short-lived.

"The quality of longer-term sticky flows into the dollar has started to weaken noticeably and we believe the dollar's gains may be coming to a close," said Hans Redeker, global head of foreign exchange strategy at Morgan Stanley based in London.

The dollar edged up to 95.22, nearing its highest level since Aug. 27 against a basket of its rivals. It has gained nearly 7 percent since mid-April when trade tensions first arose.

On a positioning basis, markets remained firmly in the stronger dollar camp with net outstanding positions holding near their highest levels since January, 2017.

But gains were muted - safe-haven currencies such as the Swiss franc and the Japanese yen ere supported against higher-yielding rivals.

The euro weakened 0.1 percent against the dollar after euro zone manufacturing growth slowed to a near two-year low in August as optimism dwindled amid growing fears of an escalating global trade war, a survey showed.

Sterling was the standout loser of the day as new concerns about Brexit negotiations and weak UK manufacturing survey data combined to push the British currency down 0.6 percent.

Michel Barnier, the European Union's chief Brexit negotiator, said he is "strongly opposed" to the British government's proposals on future trade ties after it leaves the EU.

The pound fell 0.4 percent to $1.29 and weakened 0.3 percent against the euro to 89.80 pence.

Risk appetite in foreign exchange markets recovered with the euro gaining 0.2 percent on the day against the Swiss franc and the Australian dollar up by a quarter of a percent.