Asia's outlook darkens as factory activity slips, new orders fall

REUTERS, *Tokyo*

Asia's economic prospects looked gloomy as factory activity and export orders weakened across the region in November, with analysts expecting no quick rebound amid simmering global trade frictions.

In a sign corporate sentiment was taking a hit from worries over protectionism, manufacturers' activity slipped in November in countries as varied as Indonesia, Taiwan and South Korea, the IHS Markit Purchasing Managers' Index showed on Monday.

While factory activity rose slightly in China, new export orders extended their decline in a further blow to a sector already hurt by Sino-US trade frictions.

The survey results came on the heels of data out earlier on Monday showing a sharp slowdown in Japan's capital expenditure, which had been considered a key driver of the export-reliant economy.

Asian shares rallied on Monday after US and Chinese leaders meeting at the G20 summit in Argentina agreed on a truce in their trade conflict, offering some reassurance on the global economic outlook.

But analysts said the 90-day deadline the two sides agreed upon to reach a deal meant a conclusive resolution of the row remained distant.

"There's a quite huge risk the Sino-US trade war will intensify again after the 90-day truce, weighing on the global economy," said Yoshimasa Maruyama, chief market economist at SMBC Nikko Securities.

"The Sino-US trade war remains the biggest risk for global economic prospects," he said.

Bucking the trend, India's factory activity in November expanded at the fastest pace this year, buoyed by a rise in domestic and foreign demand that allowed firms to raise prices.

China's manufacturing sector activity grew slightly in November but new export orders shrank, reflecting weakening global demand, a private survey showed.

The downbeat readings backed Friday's official PMI survey for November showing growth in China's vast factory sector sliding to its lowest in more than two years.

South Korean factory activity in November contracted again after two brief months of growth as new export orders shrank by the most in over five years, a sign of increasing pressure on businesses from slowing global demand.

A revised survey showed Japan's manufacturing activity expanded in November at the slowest pace in more than a year as growth in new orders slowed, a worrying sign that economic expansion may be muted in the fourth quarter.

"The underlying picture remains subdued, with momentum tilting towards a slowdown," said Joe Hayes, economist at IHS Markit, which compiles the Purchasing Managers' Index.

Japan's economy shrank an annualised 1.2 percent in July-September as natural disasters and slowing global demand hurt factory output and exports.

Many analysts expect Japan's economy to rebound in the current quarter, but warn the expected upturn could be weaker than expected as the fallout from trade frictions broadens.

Monday's capital expenditure reading could mean revised gross domestic product (GDP) data due next week will show the economy shrank more than first calculated, analysts say. "The contraction in July-September GDP could be deeper than the preliminary reading," said Toru Suehiro, senior market economist at Mizuho Securities.

"External demand is weakening since the start of this year on slowing global growth, so it's hard to expect Japan's economy to strengthen much. The economy will likely stall for the time being," he said.

REUTERS/FILE

A container ship waits to be unloaded at the port of Zhoushan, China.

BKASH

Mizanur Rashid, chief commercial officer of bKash, and Hussain M Elius, CEO of Pathao, exchange documents after signing a deal at the former's head office in Dhaka facilitating Pathao ride payments through bKash. Kamal Quadir, CEO of bKash, was present.

China agrees $9b currency swap with Argentina

AFP, *Buenos Aires*

China and Argentina signed a $9 billion currency swap deal to boost the crisis-stricken South American country's foreign currency reserves, its central bank announced Sunday.

Struggling to recover after a currency crisis earlier this year, Latin America's third largest economy sought the help of the International Monetary Fund -- which approved a $56 billion loan package.

Now, this latest agreement will "contribute to greater financial stability and also facilitate trade" between China and Argentina, according to the bank's statement.

A currency swap sees two parties agree to exchange a certain amount of foreign currency at a pre-determined rate, protecting against fluctuations.

Argentina's central bank will be able to draw on these funds in an emergency.

The agreement followed the G20 summit in Buenos Aires, as Chinese President Xi Jinping was received by his Argentine counterpart Mauricio Macri for a state visit.

The two countries signed 30 trade and financial agreements in total.

"We are extending cooperation on economic, agricultural, financial and infrastructure issues," Xi told a press conference.

After Brazil, China is Argentina's second largest trade partner.

In 2017, the relationship was firmly in Beijing's favor: China exported $17 billion of goods to Argentina, while importing $8 billion of goods from that country.

Beijing and Buenos Aires also agreed another currency swap in 2014, which provided $11 billion for Argentina's depleted treasury reserves.

New policy to shield farmers

FROM PAGE B1

The initiative will also help the agent banking to flourish in rural areas thanks to the farmers' attachment to the window.

According to data from the central bank, farm loan disbursement through the NGO channel rose 6.23 percent year-on-year to Tk 7,956 crore last fiscal year.

Each lender has to disburse at least 2.50 percent of their total loans of a year to farms as per the central bank's agriculture credit policy.

In recent years, banks have attained the disbursement target by outsourcing the lending activities to NGOs. In 2017-18, farm loan disbursement stood at Tk 21,394 crore, with 37.19 percent of which was given out through the NGO channel.

G20 sealed landmark deal on WTO reform by ducking 'taboo words'

REUTERS, *Buenos Aires*

Many delegates from the world's 20 largest economies arrived at a summit in Argentina this week determined to clinch an agreement to reform the global trade system, pushed to a breaking point by tensions between the United States and China.

To do so, they had to bow to US and Chinese demands to drop some of the pledges that have become hallmarks of the Group of 20 industrialized nations, which represents two-thirds of the global population.

But they left with a communique committing for the first time to reform the dysfunctional World Trade Organization (WTO), the body supposed to regulate global trade disputes.

"A number of words that we used to have always in G7 and G20 summit communiques became kind of taboos," a European official said on Saturday in the midst of the negotiations. "We have American taboos and Chinese taboos."

First among those taboos is "protectionism". The US administration has become sensitive to criticisms after President Donald Trump has imposed tariffs not only on $250 billion of Chinese goods but also on steel and aluminum imports that hit several of his G20 partners.

As a result, for the first time since G20 leaders held their inaugural meeting in Washington in 2008, their communique did not contained a pledge to fight protectionism.

China, meanwhile, steadfastly opposed the inclusion of the usual calls for "fair trade practices," delegates said. Beijing rejects criticisms from the United States, Europe and Japan for dumping, industrial subsidies, abuse of intellectual property rights and technology transfers, amongst other practices.

Even the word "multilateralism" itself has fallen out of favour in a group designed to foster international cooperation.

Central to getting the United States to sign up to a phrase recognizing the importance of "multilateral trading system" was acknowledging that the system was falling short of its objectives, delegates said.

The United States is unhappy with what it says is the WTO's failure to hold Beijing to account for not opening up its economy as envisioned when China joined the body in 2001.

To force reform at the WTO, Trump's team has blocked new appointments to the world's top trade court, which is rapidly running out of judges, meaning it will be unable to issue binding rulings in trade disputes. He has even threatened to withdraw the United States from the global body. "There was an attempt from a lot of the other countries ... to get the United States to commit to certain language with regard to the multilateral system," said one senior US official.

"We commit to multilateralism where it works ... Is it achieving its intended objectives? In a lot of areas it's falling short," said the US official, who asked not to be identified because of the confidential nature of the talks.

The final statement said the group supports the "necessary reform of the WTO to improve its functioning", allowing US officials to claim a victory. While there were no details of the proposed reform, many delegates hailed a breakthrough in committing Washington to global solutions.

"For the first time China and the United States agreed to engage on the WTO," said one delegate closely involved in drafting the communique. "Given Trump's earlier threats, to end up with the G20 saying it would work together on WTO reform is interesting."

European Union officials said that a key step in clinching a deal was getting China and major emerging economies to commit to language on trade early this week.

"The idea was to bring the Chinese into the discussion almost immediately," said a second European official. "After Apec, we knew it would be important for the Chinese to feel there was no ganging up on them."

At the Asia-Pacific Economic Cooperation (Apec) summit in mid-November, leaders failed to agree on a joint communique for the first time in the group's 30-year history. After APEC, Washington and Beijing traded accusations of blame but, with global markets increasingly roiled by trade tensions, both sides appeared more ready for compromise in Buenos Aires.

After the G20 talks ended, Trump and his Chinese counterpart Xi Jinping agreed over dinner on Saturday to a ceasefire in their trade conflict, calling off higher US tariffs that were to go into effect on Jan. 1.

"The spirit wasn't adversarial," said the delegate closely involved in the G20 drafting, adding that perhaps because of the fallout after APEC, officials at least tried to work things out.

Delegates worked until 6:30 a.m. on Saturday, the final day of the summit, watering down language on migration and refugees in the face of resistance from the United States and others, European and Argentine officials said.

And they still had not tackled one of the thorniest issues: climate change.

"That was what they discussed (Saturday) morning till noon," an Argentine government spokeswoman said, just hours before the communique was made public.

In the end, members agreed to disagree. The United States reaffirmed its commitment to withdraw from the Paris Climate Accord - as it had at the previous G20 summit in Germany last year - while other members said they would fully implement it.

Delisting acts as wake-up call for Rahima Food

FROM PAGE B1

The shuttered company has earnings per share (EPS) of Tk 9.06 as of June 30 this year, which was Tk 0.18 in the negative the previous year.

Based on the net profit, the company decided to provide dividend this year, albeit to shareholders rather than sponsors and directors.

However, Saha said they were in a quagmire on how to provide the dividend to shareholders since the company was de-listed.

"This is not a sustainable way to pay dividend," commented analyst Abu Ahmed.

Meanwhile the DSE managing director said there was no problem at all in distributing the dividend as the company should have records of its shareholders' bank accounts. "It is the company's responsibility to communicate with its shareholders," he said.

M Shaifur Rahman Mazumdar, managing director of the CSE, clarified that though the company had declared the dividend, they were not going to withdraw the suspension.

"Only when they can prove that their machinery production was underway and give assurances on their production will we take things into consideration," he said.

Turkey inflation drops from 15-year high

AFP, *Ankara*

Inflation in Turkey dropped for the first time to nearly 22 percent last month after surging to a 15-year high in October, official statistics showed on Monday.

The increase in consumer prices fell to 21.62 percent in November compared with he same month last year, still very high in relative terms but down from the 25.24 percent rate recorded in October and the first drop since March this year, according to the Turkish statistics office (TUIK).

The figure was also lower than the Bloomberg consensus forecast of 23 percent.

The better figures reflect the likely effects of an aggressive rate hike in September when the central bank raised the one week repo rate 625 basis points to 24 percent.

Govt relaxes EPZ labour law

FROM PAGE B1

Previously, the workers had to go through 12 steps to form WWAs, but the amended law has reduced it to only three steps so that they can enjoy the freedom of association and bargaining.

The amended law guarantees job security to the elected leaders of WWAs in case of strikes and lockouts.

Factory owners have also given go-ahead to form associations. As of 2017-18, eight EPZs employed 502,013 workers, invested $4.69 billion and exported goods worth $6.66 billion, according to data from the Bepza.

Remittance drops in Nov

FROM PAGE B1

Between July and November, remittance incomes stood at $6.28 billion, up nearly 8 percent from that a year ago, according to data from the central bank.

Bangladeshis living abroad might have sent more money through illegal channels last month as the recipients are getting more than Tk 85 per USD, which is higher than the interbank rate, said AB Mirza Azizul Islam, former finance adviser to a caretaker government.

On December 2, the interbank exchange rate was Tk 83.90 per dollar, up from Tk 82.30 a year ago.

India's 2019 wheat output could fall from record on scanty rains

REUTERS, *Sehore, India*

India's wheat production could fall in 2019 from record output this year as lower moisture levels and higher temperatures in key growing regions are threatening yields of the winter-sown crop, farmers and analysts told Reuters.

A drop in output could lift local wheat prices and force the world's second-biggest producer to reduce import taxes on the grain to augment supply. Higher imports from India could support global wheat prices, while a local price increase could calm angry farmers in northern India.

"Instead of six acres, I planted wheat on three acres and chickpeas on the remaining area as tube wells are not pumping enough water," said Mukesh Mandloi, a farmer from Sehore in the central state of Madhya Pradesh. Wheat needs more water than chickpeas, a pulse crop.

Madhya Pradesh and the northern state of Uttar Pradesh are India's top two wheat-producing states, accounting for more than 45 percent of the country's total output.

These two states received nearly a tenth less rainfall than normal during the June-September monsoon season.

Besides water scarcity, higher temperature are also hindering growth of the crop, said farmer Pavan Verma, who was irrigating wheat planted on 11 acres.

Only one wheat crop is grown in India each year, with planting starting in late October and harvesting in March.

Farmers have planted wheat on 15.3 million hectares as of Nov. 30, down from 15.7 million hectares last year.

Wheat production will fall in 2019 as scanty rains have curtailed water supplies in canals in Uttar Pradesh, Madhya Pradesh and the western state of Gujarat, said Harish Galipelli, head of commodities and currencies at Inditrade Derivatives & Commodities in Mumbai.

"It is difficult to estimate the exact drop in production as it also depends on temperature," Galipelli said.

India harvested a record 99.70 million tonnes of wheat in the crop year to June 2018.

Local wheat prices have risen more than 15 percent in the last five months on the low rainfall levels and as depreciation in the rupee made imports more expensive.

BENGAL GROUP

KM Ali, CEO of the Bengal Group of Industries' units Romania Food & Beverage, Linnex Mobile and Linnex Electronics, and Zeeshan Kingshuk Huq, CEO of Sindabad.com, exchange documents after signing a deal in Dhaka recently on making the former's products available on the e-commerce platform.