SOCIAL ISLAMI BANK

Md Anwarul Azim Arif, chairman of Social Islami Bank, and Quazi Osman Ali, CEO, attend the company's half-yearly business conference for 2019 at Le Méridien Dhaka.

US Treasury warns it will run out of cash in early September

AFP, *Washington*

The US government could run out of money in early September unless Congress allows the administration to borrow more, Treasury Secretary Steven Mnuchin warned Friday.

The Treasury has been taking extraordinary steps since March to shuffle its cash around to continue paying its bills after hitting the $22 trillion debt limit set by Congress.

Officials have issued dire warnings that without an increase in the borrowing limit, the US could default on its debt for the first time and they have been urging the legislature to act before the summer break later this month.

"Based on updated projections, there is a scenario in which we run out of cash in early September, before Congress reconvenes," Mnuchin warned in a letter to House Speaker Nancy Pelosi.

Pelosi late Thursday said she is working to finalize a deal that would temporarily raise the debt ceiling before the House of Representatives shuts down July 26, according to news reports.

The House is not scheduled to reopen until September 9.

The United States lost its coveted AAA debt rating in 2011, following battles among lawmakers in Washington over whether to lift caps on US sovereign borrowing, raising the likelihood of a US default.

Because the federal government traditionally runs a budget deficit, it has no choice but to borrow to finance government operations, including salaries, retirement benefits, social spending and other expenses already approved by Congress.

The Treasury previously said it could hold out until late summer, but the latest letter adds more urgency to the debate. It has suspended issuing new debt, and halted investments by government pension funds.

Pentagon races to track US rare earths output amid China trade dispute

REUTERS

The Pentagon is rapidly assessing the United States' rare earths capability in a race to secure stable supply of the specialized material amid the country's trade conflict with China, which controls the rare earths industry, according to a government document seen by Reuters.

The push comes weeks after China threatened to curb exports to the United States of rare earths, a group of 17 minerals used to build fighter jets, tanks and a range of consumer electronics.

The Pentagon wants miners to describe plans to develop US rare earths mines and processing facilities, and asked manufacturers to detail their needs for the minerals, according to the document, which is dated June 27.

Responses are required by July 31, a short time frame that underscores the Pentagon's urgency. The US government's fiscal year ends in September.

The US Air Force, which is part of the Pentagon and created the document, confirmed the document's existence. The Pentagon's headquarters did not respond to a request for comment.

The responses will be reviewed by two government contractors, including Northrop Grumman Corp, which did not respond to requests for comment.

"The government wants to know how much of these minerals we could eventually be producing, and how soon," said Anthony Marchese, chairman of Texas Mineral Resources Corp, which is working to develop the Round Top rare earth deposit in the state's western edge.

Several miners, though, declined to comment when asked if they will reply to the Pentagon, a sign of the sensitivity around rare earth mine development during the ongoing US-China trade dispute.

The document does not directly promise loans, grants or other financial support to US rare earths projects. But the Pentagon's request is derived in part from the Defense Production Act (DPA), a 1950s-era US law that gives the Pentagon wide berth to procure equipment necessary for the national defense.

Some type of financial assistance is ultimately expected for the industry after the Pentagon reviews the responses, according to industry analysts and consultants.

Although China contains only a third of the world's rare earth reserves, it accounts for 80 percent of US imports of minerals because it controls nearly all of the facilities to process the material, according to US Geological Survey data.

REUTERS/FILE

Heavy mining equipment haul ore at the Mountain Pass Rare Earth facility in Mountain Pass, California.

It is unclear how much money the US military will spend to boost America's rare earths industry as the DPA does not set a financial limit. The June Pentagon letter notes that government investments usually range from $5 million to $20 million per project.

"The overall goal is to secure and assure a viable, domestic supplier (of rare earths) for the long-term," according to the nine-page document.

The Air Force Research Laboratory, which drafted the request, said it wants information related to US rare earth "shortcomings, risks, and opportunities which may be addressed by investments" by the military.

"There is no guarantee that any submitted topic will" receive military support, Diana Carlin, the Air Force's executive agent program manager for the DPA program related to procurement, said in an emailed statement to Reuters.

James Litinsky, co-chairman of MP Materials, which owns the Mountain Pass mine in California, said the United States needs "a sustainable supermajor for the Western supply of these minerals." A supermajor would be a large producer that dominates the global industry.

MP Materials, the only existing US rare earths facility, ships its ore to China for processing and has been subject to a 25 percent tariff since last month.

Some industry analysts have called for the Pentagon to broaden the scope of its study and commit to direct government funding of rare earth magnet and motor manufacturing, much like China's government.

"The US government doesn't have a holistic approach to the entire rare earths supply chain, even now, and that's a problem," Jack Lifton, an industry analyst with Technology Metals Research LLC, said in an interview this week.

BENGAL MEAT

Md Asaduzzaman Khan, head of qurbani project and retail sales at Bengal Meat, and Md Rezwan Ullah Khan, head of brand and category development, attend the launch of qurbani.bengalmeat.com, a website of the company, at its head office in Dhaka recently offering "steroid and disease-free farmed cattle".

Fitch downgrades Turkey's debt after central bank chief dismissal

AFP, *Washington*

Ratings agency Fitch on Friday downgraded Turkey's sovereign debt by one notch to 'BB-' with a negative outlook, after President Recep Tayyip Erdogan sacked the governor of the central bank.

The firing of Murat Cetinkaya last weekend for failing to follow government instructions "risks damaging already weak domestic confidence," Fitch said in a statement.

It also could jeopardize foreign investment which the country needs and create "worsening economic outcomes."

Erdogan has repeatedly railed against high interest rates and called for them to be lowered to stimulate growth.

He once called high rates the "mother and father of all evil."

Turkey's main interest rate is 24 percent after the bank under Cetinkaya made an aggressive rate hike of 625 basis points in September 2018, in reaction to a currency crisis in August. Last month, Erdogan said the rate was "unacceptable," promising to find a solution as soon as possible.

But Fitch said the firing demonstrates Erdogan will not tolerate the need for a period of lower growth to choke off inflation which has averaged 10.3 percent over the past five years.

"The president has regularly expressed unorthodox views on the relationship between interest rates and inflation, and has indicated the governor was replaced because he did not follow government instruction on interest rates," Fitch said.

It also "highlights a deterioration in institutional independence and economic policy coherence and credibility."

IMF releases $5.4b loan tranche to Argentina

AFP, *Washington*

The International Monetary Fund completed a review Friday of Argentina's economic performance, allowing the release of $5.4 billion to the country in a loan program intended to help stabilize its economy.

The IMF board approved the fourth review of the South American country's performance under the loan deal signed last year.

"The Argentine authorities continue to show a strong commitment to their economic policy program, meeting all applicable targets under the Fund-supported program," said IMF Managing Director David Lipton in a statement, noting that financial markets have stabilized.

Lipton also said that inflation, while still high, had decreased and appeared to be on an overall downward path.

"The economy is beginning a gradual recovery from last year's recession," he said. Despite the IMF's confidence, American credit rating agency Moody's changed Argentina's outlook on Friday from stable to negative.

Moody's based its decision on "increased uncertainty" that Argentina would continue to implement policies that would stabilize its economy and its currency, it said in a statement.

President Mauricio Macri has faced increasing pressure over the misfiring economy with presidential elections set for October. He was forced to impose austerity measures as authorities struggled to stabilize the currency and rein in inflation to ensure access to IMF funding.

Consumer inflation hit 3.1 percent in May and has risen more than 19 percent so far this year, while unemployment closed last year just over nine percent and the poverty rate rose to 32 percent.

CODERSTRUST

Abdul Karim, a former principal secretary, attends the launch of the fifth branch of freelance training provider CodersTrust at Mouchak in Dhaka on Friday. MAG Osmani, country director of CodersTrust Bangladesh, and Nazrul Islam Khan, former secretary, were present.

Infosys raises revenue forecast

REUTERS, *Bengaluru/Mumbai*

India's second-biggest software services firm, Infosys Ltd, raised its revenue forecast for the year on Friday, betting on upbeat client demand for its new-age digital services such as cloud, data and analytics.

Infosys, based in the Indian tech hub of Bengaluru, lifted the revenue forecast for the fiscal year ending March 2020 to between 8.5 percent and 10 percent on constant currency basis as its first quarter net profit beat analysts' estimates. This compares with its previous guidance of between 7.5 percent to 9.5 percent.

The company's growth is being fuelled by strong demand for its services in data, analytics, cloud computing and business process management (BPM), Chief Executive Salil Parekh said.

"Hopefully this is something that we can sustain and drive through with the focus on digital," Parekh told a news conference. "That's the reason we have increased our guidance."

India's $180 billion IT services industry, once the provider of low-cost software services to Western clients, is now betting big on digital services to help traditional businesses such as carmakers and retailers compete with nimbler startups.

China's June exports, imports fall as trade war takes heavier toll

REUTERS, *Beijing*

China's exports fell in June as the United States ramped up trade pressure, while imports shrank more than expected, pointing to further weakness in the world's second-largest economy and slackening global growth.

The gloomy trade readings added to a string of recent downbeat economic data which have fueled expectations that Beijing needs to announce more stimulus measures soon to ward off a sharper slowdown. China is expected to report on Monday that growth in the second quarter was the weakest in at least 27 years.

Other data released on Friday showed new bank loans rose to a three-month high in June as policymakers sought to keep ample funds in the financial system, though the tally was less than analysts had expected.

"Overall, imports and exports are declining quarter by quarter, and weak foreign demand will be the biggest challenge in the second half of this year," said Zhang Yi, chief economist at Zhonghai Shengrong Capital Management in Beijing.

"Short-term policy stimulus should be brought forward."

China's manufacturers are struggling with sluggish demand at home and abroad, and a sharp US tariff hike announced in May threatens to crush already-thin profit margins. An official June survey showed factories were shedding jobs at the fastest pace since the global crisis, a major worry for Beijing.

June exports fell 1.3 percent from a year earlier, not as much as the 2 percent drop analysts had expected but reversing a surprise gain in May when shippers rushed to beat more US tariffs, customs data showed.

Imports fell 7.3 percent, a sharper drop than the 4.5 percent expected and following a 8.5 percent contraction in May, suggesting domestic demand remains tepid despite a flurry of growth measures since last year.

REUTERS/FILE

Workers stand at the port of Qingdao, Shandong province, China.

That left China with a trade surplus of $50.98 billion last month, compared with a $41.66 billion surplus in May.

"We don't expect global growth to bottom out until next year. And while the truce reached between (presidents) Trump and Xi at the G20 late last month removes the immediate threat of further US tariffs, our base case remains that trade talks will break down again before long," Capital Economics wrote.

Highlighting industrial weakness, China's imports of copper, used in electrical gear from wiring to motors, plunged 27 percent from a year earlier. Imports of other key commodities such as iron ore, crude oil, coal, and soybeans also fell from a month earlier.

"Copper demand is still weakening ... for most of the sectors, especially air conditioning," said He Tianyu, an analyst at consultancy CRU in Shanghai. "The trade war could be one of the factors but the bigger problem is actually China's domestic demand - this summer is weaker than last year."

So far, Beijing has relied on a combination of fiscal stimulus and monetary easing to weather the slowdown, including hundreds of billions of dollars in infrastructure spending and tax cuts for companies.

The central bank has also slashed banks' reserve requirements six times since early 2018, freeing up more money to lend, with more cuts expected in coming quarters. Some analysts believe it could also trim short-term borrowing rates if the US Federal Reserve eases policy later this month. But the economy has been slow to respond, and business confidence remains shaky, weighing on investment.

"Policy easing is still nudging up broad credit growth," Capital Economics wrote in a note.

"But...the pick-up in lending has been modest relative to previous loosening cycles and is unlikely to prevent economic growth from slowing further in the coming quarters," the note said.