STOCKS	Week on week	COMMODITIES	As on Friday	ASIAN MARKETS			Friday closings	CURRENCIES		As on Wednesday STANDARD CHARTERED BANK		
DSEX	CSCX	Gold ▼	Oil ▲	MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	JPY
▲ 0.61%	▲ 0.58%	$1,508.60	$58.64	▲ 0.10%	▲ 0.06%	▲ 0.35%	▼ 0.29%	BUY TK	83.50	92.31	99.73	0.77
5,201.42	9,660.90	(per ounce)	(per barrel)	37,350.33	20,418.81	3,115.03	2,823.82	SELL TK	84.50	96.01	103.53	0.81

Star BUSINESS

DHAKA SUNDAY AUGUST 18, 2019, *BHADRA 3, 1426 BS* starbusiness@thedailystar.net

BB plans uniform method to calculate cost of funds

AKM ZAMIR UDDIN

The central bank is set to come up with a new formula for calculating the cost of funds for banks with a view to bringing down the interest rate on lending, much to the trepidation of bankers.

The cost of funds is the interest rate paid by lenders for the funds they use in their business.

The move comes as banks now calculate their cost of fund following different methods, raising questions of transparency.

In a bid to bring uniformity the Bangladesh Bank has now decided to come up with a blanket formula that all banks must use to calculate their cost of funds.

Bankers said that the forthcoming method will help the central bank to keep the interest rate on lending at 9 percent -- a move that will have a negative impact on lenders.

"The new formula will show a lower cost of fund," said the managing director of a bank wishing not to be named.

He fears that the central bank may stipulate a lower spread between the cost of funds and the interest rate charged to borrowers in order to bring down the interest rate on lending to single digits.

To make profit, banks keep the spread at at least 5 percent, he said.

The spread between the cost of funds and the interest rate charged to borrowers represents one of the main sources of profit for many financial institutions.

The cost of funds is one of the most important input costs for a lender since a lower cost will end up generating better returns when the funds are used for short-term and long-term loans to borrowers.

"Lenders will be forced to decrease their interest rate on lending when the new central bank guidelines will be implemented," said a central bank official.

According to the draft guidelines, banks have to include their interest expense on deposits, borrowings, subordinate bonds and administrative and other expenses to calculate their total cost.

A portion of provisioning against default loans will not be calculated to determine the default loans.

Lenders will also be allowed to include a maximum of 70 percent of their administrative expenses -- such as salary payment to their employees -- when they will calculate their total cost.

Besides, expenditures related to the corporate social responsibility and performance and incentive bonus payment for their employees will not be included with the total cost.

Banks are now calculating 100 percent administrative cost, provisioning for default loans, CSR expenditure and performance and incentive bonus to determine their total cost.

For this reason, the total cost of banks will decrease when the new method will be effective.

"This will have a positive impact on the interest rate on lending," the BB official said.

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AT A GLANCE

- The new method will show low cost of fund
- Lower cost of fund will bring down the lending rate
- Banks to deduct a portion of provisioning for default loans, CSR and incentive bonus from total cost
- A maximum of 70pc of banks' administrative cost will be calculated to set the cost of fund
- The central bank tries to lower the lending rate to a single digit by implementing the formula, say bankers
- The method may have a negative impact on banks if lending rate is set artificially

eCourier gets foreign funding

STAR BUSINESS REPORT

Online product delivery company eCourier has received a new round of funding from a Hong Kong and China based private equity group after being valued by the group at Tk 300 crore.

The new funding will be used towards ambitious growth strides, said Biplob G Rahul, CEO of the Bangladeshi company.

However, the company did not share the value of the investment, for which a deal was signed at a programme in Dhaka yesterday.

The company had raised its seed funding earlier from Mind Initiatives in 2015, eCourier said in a statement yesterday.

"We will be scaling up our distribution outside Dhaka and warehousing through investment in infrastructure and technology, in addition to improving the reach, reliability and efficiency of our operations," said Rahul.

"We want to ensure that we share these benefits with our customers and partners and deliver the best with big smiles," he said.

eCourier, one of the top delivery companies in the country which started out as a logistics service provider in 2015, now provides a range of products and services for businesses going online.

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Sojitz, Energypac want PPP to build seaport, industrial park

JAGARAN CHAKMA

Japanese Sojitz Corporation and local Energypac want the Bangladesh government to get involved in their $2-billion plan to build a seaport and energy industrial park in Chattogram under a public-private partnership (PPP).

The PPP is aimed at faster implementation of the project at Mirsarai Economic Zone and raising funds as well, said Nurul Aktar, a director of Energypac Power Generation.

Sojitz and Energypac have shared their plan with the Prime Minister's Office and the Chittagong Port Authority in order to involve the government with the project.

"PPP model is the best way to implement this type of large-scale project and it is easy to mobilise government-to-government funds and borrowing from international financiers," Aktar said.

As per the initial feasibility study, the two firms will need to invest $1.2 billion within 2024 to complete the first phase of the seaport and the investment will reach $2 billion to build the full-fledged seaport.

"The port will be economically viable and support the zone," Aktar told The Daily Star recently.

He said the Chattogram port would not be able to handle the export and import activities when the economic zone will go into operation in full swing in 2030.

So, a modern and efficient seaport is highly required at the zone to handle zone-centric export and import activities, he said.

The port would be able to anchor 30,000 to 40,000-tonne cargo vessel, much higher from the present capacity of only 10,000-tonne at Chattogram port, Aktar said.

There is no scope to build more jetties and yards at the Chattogram port, Aktar said.

Sojitz and Energypac have already signed a memorandum of understanding with Bangladesh Economic Zones Authority (Beza) so that the two companies can get the land.

A land lease agreement may be signed by December this year.

Once the deal is inked, Sojitz and Energypac will carry out the final feasibility study and place financing proposal with the World Bank and the Japan International Cooperation Agency for funds.

Japanese trading giant Sumitomo Corporation's plan to invest at Japanese Economic Zone in Araihajar has encouraged Sojitz Corporation to enter into the Bangladesh market, said Paban Chowdhury, executive chairman of Beza.

He said development of energy, infrastructure and industrial park and port facilities was the key targets of the company in Bangladesh at the moment.

READ MORE ON B3

27pc youths yet to benefit from training

AHSAN HABIB

Every one in four young people in Bangladesh is yet to receive any skills development training although the government has set up training centres for them in every district and at upazila level.

Skills development trainings in different subjects are being provided to youths through 111 formal training centres across the country and 498 training centres at the upazila level, according to the finance minister's budget speech in June.

Some 73.90 lakh or 26.8 percent of the country's 2.75 crore young people aged 15 to 24 are still not trained or educated, according to the latest census of the Bangladesh Bureau of Statistics.

Biru Paksha Paul, a former chief economist of the Bangladesh Bank, said the unemployment rate among the educated youth is higher than those uneducated – a situation that discourages investment in education and training.

"The GDP growth isn't translating into job creation so people don't get expected jobs," he said.

However, if knowledge is not respected, the country's position in the Knowledge Economy Index of the World Bank will remain in the lowest rung as before, said Paul, currently a professor of economics at the State University of New York at Cortland.

The latest Index shows that Taiwan, Hong Kong, Japan, Singapore, and South Korea top the list in Asia and the Pacific with scores of 8 or above out of 10.

Sri Lanka's score is 3.63, India's 3.06, Pakistan's 2.44, and Bangladesh's 1.49. Any score below 3 is regarded as 'poor'. The average score in the region was 4.39.

Paul, who has a number of research papers on youth economy, said the future for a industry is the future for a densely populated country like Bangladesh and it will absorb the highest number of youths. This will also allow the country to reap the demographic dividend.

Demographic dividend refers to the economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population is larger than those who are not working.

At present, more than 65 percent of the population in Bangladesh belong to the working age group aged between 15 and 64.

However, the uneducated and untrained youths are a cause for concern as they will dent the development potential of the country, experts warned.

"So, the government should work on this segment of the youth," Paul said.

Rashid Mia, a young person from Kurigram who has received no training in his life, said his father died when he was 11, so he had to go to work with his mother to make a living.

As a result, he dropped out from school when he was in grade IV and started working at a brick field. Later, he became a rickshaw-puller in Rowmari upazila. He earns Tk 4,000 to Tk 5,000 per month at present.

The story of 10 such youths who talked to The Daily Star is almost the same.

They went to work with their parents after being dropped out of schools either because of poverty or their parents' belief that education is not the key to get a good job.

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STAR/FILE

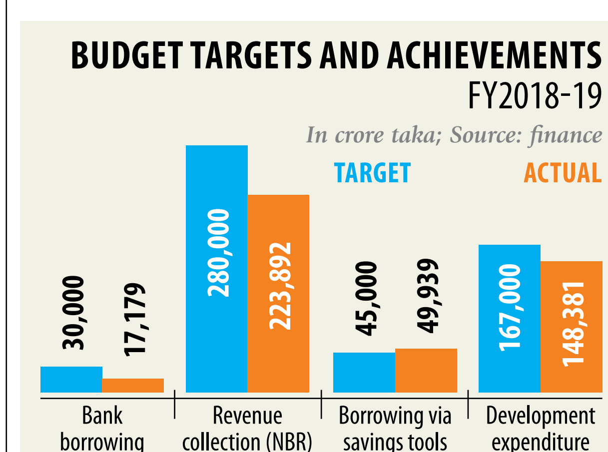
If young people can participate in training programmes, they may get jobs and earn more.

Govt's borrowing from banks almost half of its plan

It borrows more through savings certificates

REJAUL KARIM BYRON

The government's bank borrowing last fiscal year was almost half of what it had planned to, thanks to its lower development expenditure and higher sales of national savings certificates, much to the relief of the cash-strapped banking sector.



In fiscal 2018-19, Tk 17,179 crore was borrowed from the banking sector although the target set at the beginning of the year was Tk 30,895 crore, according to data from the Bangladesh Bank.

The difference was made up by extensive sales of savings certificates: Tk 49,939 crore against the target of Tk 26,197 crore. Furthermore, the need to borrow from banks was not pressing as implementation of the development budget lagged.

The ministries and divisions could not spend Tk 18,619 crore of the development budget of Tk 167,000 crore, according to the data from the planning ministry.

Similarly, the full allocation for non-development purposes and subsidies was not used up, said a finance ministry official.

The lower expenditure on all fronts also cushioned the blow of the National Board of Revenue missing its collection target of Tk 280,000 crore by a staggering Tk 56,108 crore.

WiFi Haat enlivens rural areas

Innovative business model can narrow the digital divide in rural Bangladesh

MUHAMMAD ZAHIDUL ISLAM

Carnival Internet, a local internet service provider, has brought internet access to remote parts of the country, where people are hungry for internet but have next to no access, by way of WiFi Haat -- an inspired move that will help thousands of locals.

Most of the places where the Haats are located hardly had any internet coverage. People could access internet from their mobile phones but the network is very patchy, so the speed is very slow.

Carnival has partnered with traditional shopkeepers and tea stall owners for the WiFi Haat, where they have installed their systems.

"We are aspiring to completely redefine the internet experience across rural Bangladesh with 50,000 Carnival WiFi Haats covering 10,000 villages of Bangladesh," said Zaman Khan, chief executive officer of Carnival Internet.

Since March, rural users could access high-speed internet by purchasing scratch cards for certain durations that contain unique passwords from the shopkeepers and tea stall owners.

One has to pay Tk 7 for internet access for two hours, Tk 15 for the whole day and Tk 25 for two days.

"We found the villagers are internet hungry and that encouraged us so much," Khan told The Daily Star recently.

The average mobile internet use as of June was about 1.2 gigabyte (GB) per month but in a Carnival WiFi Haat users' monthly consumption is more than 20GB.

"We are quite sure the need is even more," Khan added.

Talking with The Daily Star, Md Aminul Islam, a grocer in Tungipara, Gopalganj, informed that he sells about 30 to 40 scratch cards every day.

"There are a few routers in Patgati Bazar with coverage of a hundred-metre radius, so people can access internet while lounging in any shop in the bazar," he added.

Young and old alike flock to Ikram Hossain's WiFi Haat in Halsha Bazar in Patikabari, Kushtia in the corner of his motorcycle servicing shop every day.

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Carnival Internet has partnered with traditional shopkeepers and tea stall owners for the WiFi Haat, where they have installed their systems.

Consumers supporting US economy amid manufacturing slump

AFP, *Washington*

American consumers appear to be carrying the US economy in their shopping carts as manufacturing slumps amid President Donald Trump's trade conflict with China, and financial signals warn of a possible recession.

"The economy is phenomenal," Trump said Thursday. "We had a couple of bad days but we are going to have some very good days because we had to take on China." But despite his cheerleading, a raft of new US data reports showed a mixed picture on the economy, leading Wall Street to post a modest recovery from its worst day of the year.

Global financial markets remain concerned about slowing European and Chinese economies, which caused a closely watched recession signal to flash red, sending stocks worldwide down two percent or more on Wednesday.

Longer term bond yields continued to fall with the 30-year US Treasury bond dropping below two percent for the first time ever, while the 10-year hit the lowest point in three years as investors sought safe havens to hedge against a possible downturn.

Trump continued to call on the Federal Reserve to cut interest rates, saying it made a "big mistake" by increasing too fast.

Fed Chairman Jerome Powell "should be cutting rates. Every country all over the world is cutting. We want to stay sort of even," Trump told reporters.

The US manufacturing sector, which declined in the first two quarters of the year, putting it in recession, slumped again in July and is now down 1.5 percent this year, the Federal Reserve reported.

That comes on the heels of other data showing the trade war has undermined business confidence and is curtailing investment amid the uncertainty.

"It is hard to avoid the conclusion that the industrial sector is being dragged down by overseas developments," analysts John Ryding and Conrad DeQuadros of RDQ Economics said.

Their analysis highlighted "the impact of tariffs on supply chains, and the effects of uncertainty about these policies may have had in subduing capital spending." Although Trump has made boosting manufacturing a central focus of his economic policies, this sector makes up a dwindling share of the US economy.

Even before Trump gave retailers an early Christmas bonus by delaying tariffs on more than half the $300 billion in Chinese goods targeted for new 10 percent punitive duties, Americans' spending habits were buoying the economy. That trend continued in July, the first month of the third quarter, as retail sales jumped 0.7 percent, far more than expected, driven by e-commerce and Amazon's 48-hour prime "day," according to new data from the Commerce Department.


REUTERS/FILE
Shoppers carry bags of purchased merchandise at shopping mall in Pennsylvania, US.

"The United States is now, by far, the Biggest, Strongest and Most Powerful Economy in the World, it is not even close!" Trump tweeted. "As others falter, we will only get stronger. Consumers are in the best shape ever, plenty of cash." Walmart -- which has been beefing up its online presence to compete with Amazon -- added to the good retail news, reporting better than expected profits in the latest quarter and boosting its forecast for the year.

"Households are in good shape with spending and that should continue as long as the labor market remains healthy," National Retail Federation chief economist Jack Kleinhenz said.

But he warned that financial market volatility and "increased trade tensions in recent weeks may put a wind of caution in consumer spending as we move forward in 2019." Trump told reporters Thursday that talks with China set for September are "still on" -- less than a week after he said they might be canceled -- and trade negotiators also have been in contact by phone.

"We're talking and they're offering things that are very good," he said, but warned that the US still has at its disposal "the ultimate form of retaliation." And in a speech to supporters late Thursday, Trump said China had no option but to cut a deal with US.

"I never said China was gonna be easy, but it's not tough and they wanna make a deal," he said.

"We just spoke to 'em yesterday, they wanna make a deal, they wanna make a deal. They have to make a deal." By December 15 all goods imported from China will face stiff US tariffs, and markets are watching anxiously for signs of progress in the dispute.

China, which has been gradually reducing its holdings of US Treasury debt, for the first time since May 2017 is no longer the biggest US creditor, according to data released Thursday. Japan retook the top spot.

Dollar recovers as strong US data soothes market nerves

Reuters, *New York*

The dollar recovered from early weakness against the safe-haven yen as better-than-expected US retail sales data on Thursday eased fears that the US economy could be headed for a recession.

The Japanese yen, which tends to benefit during geopolitical or financial stress as Japan is the world's biggest creditor nation, has strengthened about 0.3 percent against the dollar this week as investors reached for safety.

The yen started the day strong against the dollar as investors fretted over this week's economic data from China and Germany that revealed the extent of the damage the China-US trade dispute is causing to the world economy.

The Japanese currency advanced sharply against the greenback on Wednesday after the first inversion in the US Treasury yield curve in 12 years sparked heightened fears of an imminent end to the longest economic expansion in US history. However, the yen retreated against the greenback on Thursday after data showed US retail sales surged in July, helping assuage financial markets' fears that the US economy was heading into recession.

"With the rest of the world sliding into the abyss, the July retail sales figures show a resurgent US consumer riding to the rescue once again," Michael Pearce, Senior US Economist at Capital Economics said in a note.

US retail sales rose in July as consumers bought a range of goods even as they cut back on motor vehicle purchases, which could help ease financial markets' fears that the economy was heading into recession.

The dollar was up 0.27 percent against the yen.

The dollar index, which tracks the greenback versus the euro, yen, sterling and three other currencies, was up 0.18 percent at 98.166, close to a two-week high.

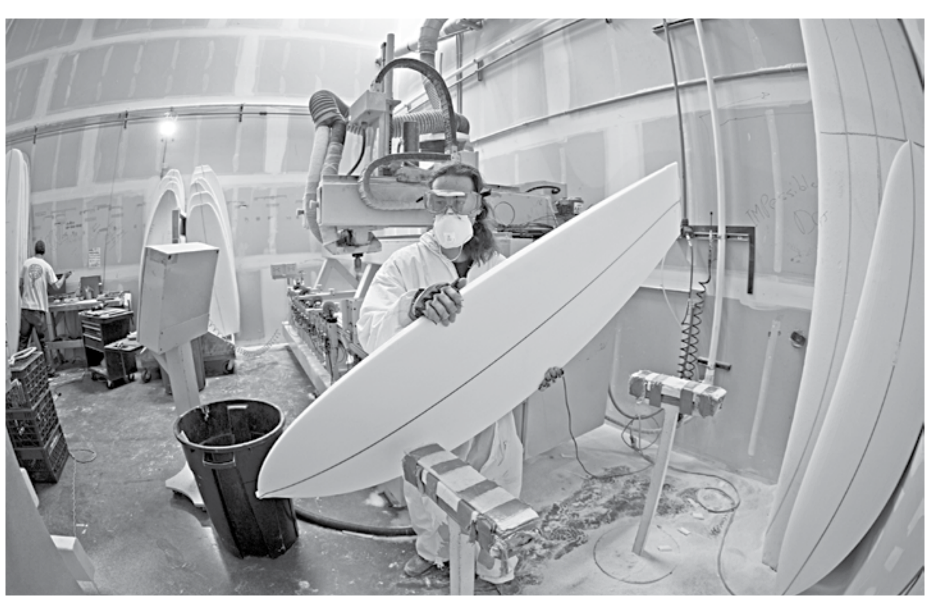
Elsewhere, Norway's crown weakened after its central bank, the Norges Bank, said its policy outlook was now more uncertain, raising doubts about whether it would raise rates later in 2019. The crown slipped to a near 18-year low against the US dollar.

The Australian dollar was up 0.44 percent to $0.6777 after data showed the Australian economy had added a forecast-busting 41,100 new jobs in July.

However, as the Sino-US trade war raises fears of a global recession, businesses run the risk of being caught in a self-fulfilling vicious cycle, a top Australian central banker warned on Thursday.

Meanwhile, sterling rose 0.46 percent against the dollar, helped by better-than-expected retail sales and news that Britain's opposition Labour Party has begun its bid to bring down Prime Minister Boris Johnson and stop him from taking Britain out of the European Union without a deal.

US surfboard makers not so stoked about China tariffs


REUTERS/FILE
A man works at the INT surfboard factory in California, US.

Reuters, *Los Angeles*

US President Donald Trump's decision to slap 10 percent tariffs on imported surfboards convinced surf executive Sue Bowers to move factory jobs out of China - but not back to the United States, which was one goal of Trump's tariffs.

Strict environmental rules and steep labor costs have sent scores of Southern California surfboard manufacturers to China. Now, the tariffs have Bowers and other executives searching for factories in places such as Thailand and Vietnam.

"This was Surf City," said Bowers, general manager of Southern California Sports Industries in Orange County.

"I would like to have our production back here," said Bowers, whose office/warehouse is decorated with surf legend Mike Doyle's artwork and filled with surfboards bearing his name.

Instead, Bowers - not a surfer herself but who learned the ins-and-outs of surfboard construction from Doyle - is joining the growing list of US manufacturers and retailers reconfiguring supply chains in the wake of the Trump's bitter trade war with China.

She was among a half dozen US surf company executives who told Reuters they support using trade policy to shelter their homegrown industry from a daunting wave of international competition.

They are skeptical, however, about the President's latest round of tariffs, which on Sept. 1 will levy the first US import taxes on surfboards.

"There are way too many things that need to change before we can bring jobs back," said Bowers, referring to US labor costs and anti-pollution rules governing the use of materials to make surfboards.

Trump delayed putting the 10 percent duty on cellphones, laptops and other consumer goods in hopes of blunting their impact on US holiday sales. But surfboards and many other products did not win a reprieve.

Southern California was surfing's epicenter in the late 1950s and early 1960s, spawning a billion-dollar international business around surfing's relaxed, sun-soaked lifestyle.

The forces of globalization that have eroded the industry were well underway by the turn of the century and the continuing manufacturing exodus threatens to wipe out domestic production.

"If something doesn't happen over the next 10 years (the industry) could cease to be here," said Shea Weber, chief executive of Dewey Weber International, a surfboard company started by his father - a famous long board "hot-dogger" who appeared in the classic surf documentary "Endless Summer." Dewey Weber still has a factory in San Clemente, California's "surfboard alley."

2018 surfboard imports hit 916,246, up from 102,850 in 2004, when the US Census Bureau started collecting that trade data. Those imported surfboards now account for upwards of 90 percent of sales in the small and slow-growing domestic market, experts said.

China accounted for 67 percent of the surfboards that hit US shores last year. Critics of Trump's tariffs say that focusing on just one country encourages manufacturers to move jobs to other Asian countries.

Countries like Thailand and Vietnam were already carving out niches on the high and low ends of the market with hourly factory wages that, according to Euromonitor International data, are roughly half that of China and as much as 19 times lower than in the United States.

California-based Firewire, backed by surf superstar Kelly Slater, moved production of its $500 to $1,000-plus surfboards to Thailand after shuttering US manufacturing in 2008.

Global rate cuts mark broadest policy shift since crisis: Fitch

Reuters, *Washington*

A flurry of interest rate cuts by the US Federal Reserve and a host of other central banks marks the broadest shift in global monetary policy since the depths of the financial crisis in 2009, analysts at Fitch Ratings said in a report on Friday.

Led by the Fed's policy pivot, which took rate hikes off the table in December and then cut borrowing costs last month, Fitch said its geographic "diffusion index" of central bank policy plummeted from a strong bias towards tightening to what is now a marked tendency toward easing, or cutting rates.

It's the type of coordinated change that characterized how central banks responded to the financial crisis with across-the-board rate cuts, dollar swap lines extended by the US central bank to other countries, and a series of other exceptional steps to keep the world economy afloat.

Macroeconomic conditions are nowhere near as bad now, Fitch analysts said in an interview, and the policy shift in the last few months has been much less extensive.

But the geographic spread of actions, from the central banking capitals of Washington and Frankfurt, to financial centers like London, and a host of emerging markets, shows how the world's central banks have become more closely tethered to one another, with the Fed as the dominant player. "In terms of how swift the change has been, it is quite striking," said Brian Coulton, chief economist for Fitch Ratings. The Fed and 19 other central banks have cut rates in recent months.

Coulton said they were responding both to the Fed's policy change - evidence that the broad use of the dollar in world trade and corporate finance had linked the world economy ever closer to what happens in Washington - and the sense of growing risk from the US-China trade war.

The trade battle "affects the two biggest economies in the world. That is a risk every central bank will have to take into account. That is a common shock," he said.

But he feels the shift runs deeper. Emerging market economies, where monetary policy had more closely tracked commodity prices and resulting inflation, now seemed tied instead to the Fed, he said.

That could, the Fitch analysis concluded, be one of the "profound" consequences of a decade of cheap money and Fed "quantitative easing" that allowed countries and overseas companies to borrow more in dollars, only to face refinancing risks and other stresses when the Fed began raising rates.

When the US central bank reversed course "the pressure that had been placed on other central banks was released," Coulton said.

The Fitch diffusion index rates the stance of global central bank policy, treating each bank as equal. A rating above 50 indicates a bias towards raising rates, while below 50 indicates looser policy.

Opec sees bearish oil outlook for rest of 2019, points to 2020 surplus

Reuters, *London*

Opec delivered a downbeat oil market outlook for the rest of 2019 on Friday as economic growth slows and highlighted challenges in 2020 as rivals pump more, building a case to keep up an Opec-led pact to curb supply.

In a monthly report, the Organization of the Petroleum Exporting Countries cut its forecast for global oil demand growth in 2019 by 40,000 barrels per day (bpd) to 1.10 million bpd and indicated the market will be in slight surplus in 2020.

The bearish outlook due to slowing economies amid the US-China trade dispute and Brexit could press the case for Opec and allies including Russia to maintain a policy of cutting output to support prices. Already, a Saudi official has hinted at further steps to support the market.

"While the outlook for market fundamentals seems somewhat bearish for the rest of the year, given softening economic growth, ongoing global trade issues and slowing oil demand growth, it remains critical to closely monitor the supply/demand balance and assist market stability in the months ahead," Opec said in the report.

It is rare for Opec to give a bearish forward view on the market outlook and oil LCOc1 pared an earlier gain after it was released to trade below $59 a barrel.

Despite the Opec-led cut, oil has tumbled from April's 2019 peak above $75 pressured by trade concerns and an economic slowdown.

Opec, Russia and other producers have since Jan. 1 implemented a deal to cut output by 1.2 million bpd. The alliance, known as OPEC+, in July renewed the pact until March 2020 to avoid a build-up of inventories that could hit prices.

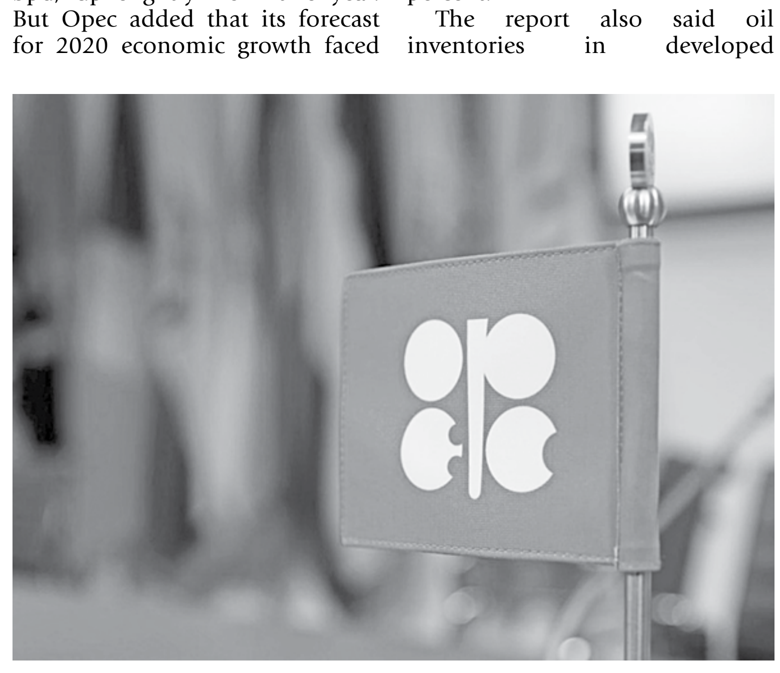
Opec left its forecast for 2020 oil demand growth at 1.14 million bpd, up slightly from this year. But Opec added that its forecast for 2020 economic growth faced downside risk.

"The risk to global economic growth remains skewed to the downside," the report said.

"Especially trade-related developments will need to be thoroughly reviewed in the coming weeks with some likelihood of a further downward revision in September."

Opec trimmed its global economic growth forecast to 3.1 percent from 3.2 percent and, for now, kept its 2020 forecast at 3.2 percent.

The report also said oil inventories in developed economies rose in June, suggesting a trend that could raise Opec concern over a possible oil glut.


REUTERS/FILE
The logo of the Organization of the Petroleum Exporting Countries is seen inside its headquarters in Vienna, Austria.

Stocks in June exceeded the five-year average - a yardstick Opec watches closely - by 67 million barrels.

This is despite the supply cuts of Opec+ and additional involuntary losses in Iran and Venezuela, two Opec members which are under US sanctions.

Opec deepened its cuts in July, the report showed. According to figures OPEC collects from secondary sources, output from all 14 members fell by 246,000 bpd from June to 29.61 million bpd as Saudi Arabia cut supply further.

Opec and its partners have been limiting supply since 2017, helping to clear a supply glut that built up in 2014-2016 when producers pumped at will, and revive prices.

The policy has been giving a sustained boost to US shale and other rival supply, and the report suggests the world will need significantly less Opec crude next year.

The demand for Opec crude will average 29.41 million bpd next year, Opec said, down 1.3 million bpd from this year. Still, the 2020 forecast was raised 140,000 bpd from last month's forecast.

The report suggests there will be a 2020 supply surplus of 200,000 bpd if Opec keeps pumping at July's rate and other things remain equal. Last month's report had implied a larger surplus of over 500,000 bpd.

China unveils rate reform to steer funding costs lower for firms

REUTERS/FILE

A man sits in front of the headquarters of the People's Bank of China, the central bank, in Beijing.

Reuters, *Beijing*

China's central bank unveiled a key interest rate reform on Saturday to help steer borrowing costs lower for companies and support a slowing economy that has been hurt by a trade war with the United States.

The People's Bank of China (PBOC) said it will improve the mechanism used to establish the loan prime rate (LPR) from this month, in a move to further lower real interest rates for companies as part of broader market reforms.

Analysts say the move, which came after data that showed weaker than expected growth in July and followed a cabinet announcement on Friday, underscores the government's attempts to use reforms to support a slowing economy.

"By reforming and improving the formation mechanism of LPR, we will be able to use market-based reform methods to help lower real lending rates," the PBOC said in a statement published on its website.

The central bank will "deepen market-based interest rate reform, improve the efficiency of interest rate transmission, and lower financing costs of the real economy," it said.

Chinese banks' new LPR quotations will be based on rates of open market operations, and the national interbank funding center will be authorized to publish the rate from Aug. 20, the PBOC said. It added the rate will be published every month on the 20th, effective this month.

Banks must set rates on new loans by mainly referring to the LPR and use LPR as the benchmark for setting floating lending rates, the PBOC said, adding that banks will be barred from setting any implicit floor on lending rates in a coordinated way.

The central bank said five-year and longer tenors will be added to the existing one-year LPR, which will help banks set rates on long-term loans such as mortgages.

China will add eight small banks, including two foreign-funded banks, to the existing 10 nation-wide banks that will be allowed to submit LPR quotations, the central bank said.

The move followed pledges from China's State Council on Friday that the country will rely on market-based reform measures to help lower real interest rates for companies.

The central bank said that it will strengthen its supervision on banks' rate quotations and punish banks for irregularities that disrupt the market order.

The central bank will incorporate LPR application into its macro-prudential assessment (MPA) to urge banks to use LPR pricing.

This week's data broadly showed China's economy stumbled more sharply than expected at the start of the third quarter, as the intensifying trade war with the United States took a heavier toll on businesses and consumers. Second-quarter economic growth slowed to a near 30-year low.

Tang Jianwei, an economist at Bank of Communications in Shanghai, said the reform could be seen as a guided rate cut as PBOC can guide rates of its open market operations, which will be closely followed by the LPR.

"The tool (LPR quotation reform) equals to a guided rate cut, and is only pushed out by the PBOC at crucial moments," said Dai Zhifeng, analyst with Zhongtai Securities Co.

The central bank has pledged to gradually unify two interest rate "tracks" - its market-based rates developed in recent years and its benchmark bank deposit and lending rates.

Analysts say the new LPR rate will be lower than the current level, but they are divided over the scope of reductions on borrowing costs for firms.

To free up funds for lending and to accommodate local government project financing, most analysts still expect the central bank will cut banks' reserve requirement ratios (RRR) further in coming months, on top of six reductions since early 2018.

Sources have told Reuters that more aggressive action such as interest rate cuts are a last resort, as it could fuel a sharper build-up in debt.

In July, central bank head Yi Gang said China would keep its benchmark deposit rate for a relatively long time, but would phase out its benchmark lending rate in the push to unify the benchmark lending rate and market-based rates.

China's banks currently price their loans based on the benchmark lending rate that has been kept unchanged since October 2015, hampering the central bank's efforts to lower borrowing costs.

The PBOC launched the LPR in 2013 to reflect rates that banks charge their best clients. But the LPR has been reacting little to market demand and supply, with the one-year rate currently at 4.31 percent, versus benchmark one-year lending rate of 4.35 percent.

China's short-term money market rates have been falling more quickly in recent months due to the central bank's cash injections.

Is the clock ticking again for Argentine debt? Ask the IMF

Reuters, *Buenos Aires*

A collapse in Argentina's peso currency this week and soaring borrowing costs have fueled investors' concern that Latin America's third-largest economy is heading for another debt restructuring.

The International Monetary Fund's next review of the country's $57 billion lending program on Sept. 15 should provide a sign of whether Argentina's lender of last resort now thinks the same.

Business-friendly incumbent President Mauricio Macri's severe loss in Sunday's primary election to his left-leaning Peronist rival Alberto Fernandez, two months before the presidential vote, prompted market jitters about a possible lurch back toward the interventionist policies that Macri had vowed to end.

"The IMF probably will request a restructuring. The question is when," said Edward Glossop, Latin America economist for Capital Economics. "Given what the market has done this week, it's hard to argue that Argentina's debt is still sustainable." Restructurings are a traumatic subject for voters who remember the country's 2001/2002 default, which punctuated an economic meltdown that tossed millions of middle-class Argentines into poverty. Subsequent mini-defaults kept the country locked out of global capital markets for years.

Against this backdrop, the peso lost 21 percent of its value against the greenback in the first days of the week before finding support in the neighborhood of 57 per dollar - making it significantly harder for Argentina, with its economy mired in recession, to pay its dollar debts.

In its previous review of Argentina in July, the IMF warned there were "elevated" risks to the program, with peso weakness and political uncertainty likely to feed on each other.

A spokesman for the IMF declined to comment for this story.

Macri took office in 2015 promising to bring an end to the cyclical crises that over the last 100 years turned one of the world's strongest economies into a serial defaulter.

But he overestimated his ability to attract the foreign direct investment needed for sustainable economic growth and underestimated the effect his plan for cutting public utility subsidies would have on inflation, now roaring at 55 percent.

Anger at the painful austerity measures was a driving factor in Macri's drubbing in Sunday's primary by Fernandez, who has teamed up with former free-spending populist President Cristina Fernandez de Kirchner as his running mate.

Argentina's primary election is unusual. With major parties already having selected their candidates before the ballot, it functioned as a massive opinion poll on the Oct. 27 presidential election. Investors swiftly reassessed that a restructuring was far more likely and the markets started tumbling Monday morning.

Macri loosened his fiscal stance this week, promising to lower workers' income taxes and levies on the sale of basic foods, increase welfare subsidies and other spending likely to pressure his deficit cutting effort under the IMF deal.

"A crunch point could be Sept. 15, when the next IMF loan tranche - about $5.4 billion - is due to be disbursed. The Fund could request a restructuring as a condition of this," Glossop said.

In 2001, the IMF's refusal to disburse funds to Argentina helped trigger the country's default.

Despite the fact that Macri has blown out Argentina's IMF-agreed fiscal targets, the IMF could surprise the market by granting additional relief funds.

"In general the Fund acts to avoid defaults. So if the IMF could put in an extra $5 billion or $10 billion it would not be much money, but it would help avoid a painful default," said Gabriel Rubinstein, a Buenos Aires-based economics consultant.

Shamaila Khan, who manages portfolios exposed to Argentina as director of emerging market debt at AllianceBernstein in New York, said Argentine bonds were trading at 40 to 50 cents on the dollar. "The market is telling us that there is an extremely high probability of restructuring but not a very high recovery rate," she said.

However, Khan added, "the risk reward looks attractive" because the market has factored in such a grim scenario.

Fernandez said this week that his plans, should he become Argentina's leader, would not include restructuring debt.

27pc youths yet to benefit from training

FROM PAGE B1

After leaving schools, they worked at labour-intensive sectors, toiling in farm land, pulling rickshaws and making and breaking bricks. Most of such youths live below the poverty line owing to lower income.

"Day labour is mostly seasonal, so we have to wait for a long time to get a work. But we don't get them all the time," said Abdul Karim, another youth from the same district.

He has come to realise that if he participates in a training programme and increases efficiency, he will get a job and earn more. However, he doesn't know how to get trained and what training will suit him.

According to the BBS report, of the total untrained and uneducated youth, about 82 percent are female and the rest are male. Most of the females live in rural areas who were either married at a young age or primary school drop-outs, experts said. Taslima Begum, an uneducated and untrained housewife, said she received schooling up to grade IV before eve-teasing bound her to leave school.

After a few years, she was married that ended her dream of receiving education and training.

About the untrained and uneducated youth female, economists said if one segment of the population remains untrained, they will hurt the economic potential of the country. Young women can participate in the labour force even staying at home, but to allow them do so, the government and the private sector would need to take up an initiative to train them and prepare them for the job market.

The Asian Development Bank (ADB) is helping the country to develop the skills of the growing young population. "Skills development of the youth is an important way to bring them to the mainstream job market," said Manmohan Parkash, country director of the Manila-based development lender, during an interview recently.

Farouq Ahmed, director general for youth development at the youth and sports ministry, said the government is providing training to youths who want to work. "In order to reach the goal, we are providing training to them in all districts. The training programme is being enhanced gradually," he added.

BB plans uniform method to calculate cost of funds

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For the determination of total fund, lenders will have to calculate daily outstanding amounts of deposits, borrowings, shareholders' equity, general provisions and mobilisation of funds through issuance of the sub-ordinated bonds.

The country's banking sector is now following the global best practices to determine their cost of fund, said Syed Mahbubur Rahman, chairman of the Association of Bankers, Bangladesh, a platform of the private banks' managing directors. Asked whether the upcoming formula will arrest the lending rate, he said there is no scope to make a comment to this end as the guidelines are yet to be circulated.

eCourier gets foreign funding

FROM PAGE B1

The company extended its service portfolio, including online channel integration services, inventory management and analytics along with multi-city fulfilment, express transportation and reverse logistics.

With presence in over 60 districts and in excess of 1,000 unions already, the company now plans to expand its network to levels none has stretched before.

Serving more than 5,000 direct partners across Bangladesh with its ever-growing team of more than 350 employees, eCourier has been experiencing more than 100 percent growth in delivery transactions in recent years.

RAHIMAFROOZ

Officials of Rahimafrooz Batteries Ltd and TVS Auto Bangladesh attend a deal signing ceremony in Dhaka recently. TVS plans to launch an exclusive range of VRLA motorcycle batteries under a "Globatt-TVS" brand.

Indonesia's leader pledges capital move, economic boost

Afp, *Jakarta*

Indonesian leader Joko Widodo said Friday he would press on with plans to move the nation's capital and roll out measures to kickstart Southeast Asia's biggest economy as it feels the sting of slowing global growth.

In a sweeping state-of-the-nation address, Widodo asked parliament to sign off on a plan to move the capital to Borneo, shifting Indonesia's political heart from traffic-clogged megacity Jakarta -- one of the fastest-sinking cities on the planet.

"I'm asking for your permission to relocate our capital to the island of Kalimantan," Widodo told lawmakers, referring to Indonesia's portion of Borneo. "A capital is not only a symbol of a nation's identity, it also represents its progress," he added.

Widodo did not reveal a specific location for the country's new capital or new details about when the move could happen.

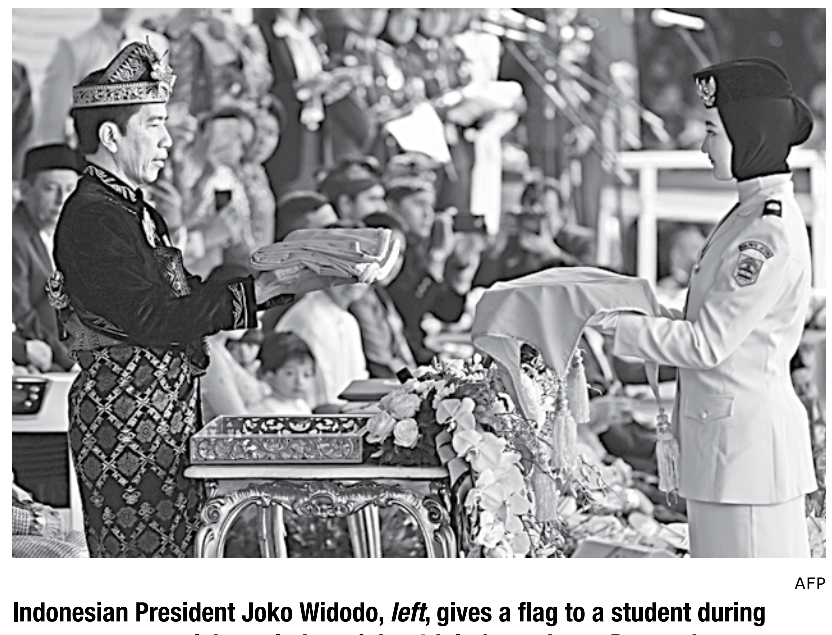
Speaking a day before the 74th anniversary of Indonesia's independence, the recently re-elected leader said his second term would focus on cutting red tape and luring more foreign investment.

He pledged to boost lagging productivity, turn Indonesia into an electric-vehicle hub and focus on improving worker skills in the sprawling country of some 260 million people. "We have to be faster and better than our neighbours," he said. "We're facing a tumultuous global economy and geopolitical change." Indonesia's president is expected to unveil next year's budget later Friday.

Widodo struggled to lift growth in his first term despite a huge roads-to-railways infrastructure building blitz.

The economy has been expanding around five percent annually, but that is well short of the seven percent Widodo had pledged in his first term. This week, it posted its slowest rate of quarterly growth in two years.

Resource-rich Indonesia is grappling with weaker prices for commodities like coal and palm oil, as the global economy falters on the back of US President Donald Trump's intensifying trade war with China.



AFP

Indonesian President Joko Widodo, *left*, gives a flag to a student during a ceremony to celebrate Indonesia's 74th Independence Day at the presidential palace in Jakarta yesterday.

WiFi Haat enlivens rural areas

FROM PAGE B1

"After installation of this Carnival WiFi Haat, I see good changes around my service shop. Youngsters are discussing productive things like who is doing what, what can be done, what is happening where and many more."

Sometimes, aged people come to get connected with the internet and chat with their expatriate relatives.

The correspondent saw one such elderly man visit Hossain's WiFi Haat to purchase a scratch card to speak to his son, who has been residing in Malaysia for the last eight years. He brought his grandson Osman with him as he knows how to navigate a smartphone.

Osman buys the scratch card, puts in the credentials on the smartphone and then the internet is unlimited, said the gray-bearded man.

"My son had sent this big screen phone and we could not find much use for it other than taking pictures and watching music videos that Osman used to download from the town. But we can do much more than before now," he added.

Carnival Internet first introduced the concept of WiFi Haat in Baniachong -- the largest village in Asia – in Sylhet division. It has since installed more than 350 such haats across the country.

Over the next three years, Carnival plans to set up 50,000 such Wi-Fi Haats across the country -- touching 10,000 villages and more than one million unique users.

Khan said they believe the initiative will dilute the rural verses urban digital divide and play a large role in ensuring that the rural population does not have to step out of their villages or communities to achieve success in their respective fields.

With this service internet users' unique numbers will definitely increase, Carnival hopes.

As of June, there are about 9.62 crore internet connections in the country, 57.34 lakh of which are broadband connections, according to Bangladesh Telecommunication Regulatory Commission.

Sojitz, Energypac want PPP to build seaport, industrial park

FROM PAGE B1

Sojitz's plan is to establish an infrastructure project to provide services for handling bulk materials through the port, where mother vessels will anchor.

The Chattogram port cannot provide the service for bulk materials handling because of a lack of technology and required space. Sojitz will provide the service, easing the cost of doing business, Aktar said.

The Japanese company is also keen to develop businesses in various industries such as machinery, chemical, medical, renewable energy, coal, food and textiles.

Aktar said the port and industrial park would create 100,000 jobs and business opportunities for different sectors such as logistics and shipping.

He said it is really tough for a Bangladeshi company to go for such a big project without the support from an efficient foreign company.

"Sojitz has the experience of handling this type of port and we have a plan to engage a top seaport authority in Japan with this project in order to make it a top port."

The rise of personalised entertainment

Arijit Chakraborti

THE face of entertainment is fast changing. There has been a continuous shift over the years in this medium. Rather than being classified as just the audience or spectators, individuals are now being increasingly recognised as consumers of media content. The number of avenues of entertainment are also increasing notably.

The increase in the availability of entertainment opportunities and the freedom to choose them as per preferences, contexts and schedules has been welcomed by consumers.

Consumers have become increasingly mobile. At the same time, they want increased control over the time and method of their experience of media content. They do so by managing their media consumption via smartphones and an expanding range of devices and by curating their personal choices.

They are also using over-the-top (OTT) services, and increasing their use of digital media content via smart homes, connected cars and other interactive devices. The concept of 'appointment viewing' is fast emerging.

In fact, appointment viewing is not that new a phenomenon. A few centuries ago, in South Asia, entertainment was only meant for the rich and ruling class, and these events were scheduled as per the viewers' choice.

Over a period of time, entertainment has also become accessible to the masses. As a result, the schedule and location of such events were controlled by the producers and organisers. However, with entertainment becoming digitalised, the control is shifting back to the consumers.

However, scheduled entertainment is still quite popular, particularly in the sports segment. According to the Fédération Internationale de Football Association (FIFA), the organising body of World Cup soccer, about 1.12 billion people, i.e. one in every seven people across the globe watched the final match live in 2018.

In this case, the schedule was determined by FIFA, and the event was broadcast live as per its schedule. The content was available via the traditional mediums of television and radio, as well as on digital platforms.

The advent of newer technology, such as 5G communication, will impact the business of entertainment to a great extent going forward. While it is understood that the impact of 5G technology will cover most of the industries, entertainment and media companies are expected to adopt it earlier than the others and disrupt the market.

A recent study conducted by PwC's Strategy& highlighted that mobile telecom operators will form partnerships with OTT service providers to bundle their services with connectivity subscriptions.

In Bangladesh, a few start-up OTT companies are already getting support from mobile telecom operators to produce and sell content using the operators' infrastructure and subscriber base.

We will increasingly see content being bundled with the basic offerings, and being used as monetising tools for telecom operators.

Thus, traditional media content distribution companies, such as movie distributors, will have to compete with mobile telecom operators for viewership and revenue. Some of them may evolve into OTT service providers as well.

This raises questions regarding the future of traditional entertainment media. In Bangladesh, there exist a number of avenues of traditional entertainment, ranging from rural entertainment to city-based entertainment centres to sporting events.

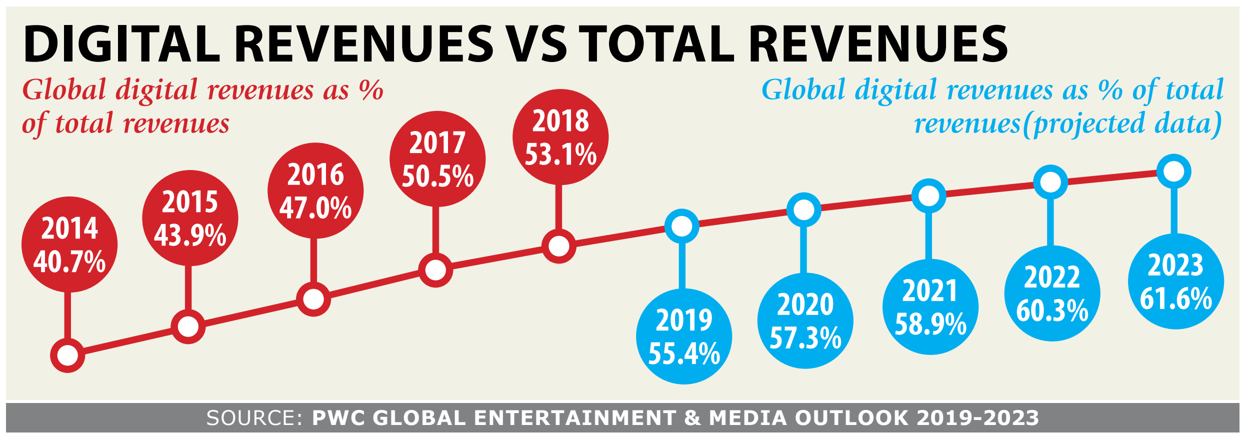
While a good number of these will continue to offer quality entertainment, there will be an increased shift towards digital content consumption.

Newer technologies such as virtual reality will drive the business of video games, and this will supplement traditional sports-based entertainment. With the increased adoption of 5G communication technology, VR-based entertainment will gain more prominence. Today, VR-based media content is limited to industrial use, such as business-to-business communication.

5G communication technology will help increase the adoption of VR in the retail consumer segment through entertainment and gaming content.

According to PwC's Global Entertainment and Media Outlook 2019-23, global digital revenues have risen consistently from 40.7 percent to 53.1 percent over the last five years.

The report projects that the share of digital revenue will continue to rise in the next five years, and will reach 61.6 percent by 2023. While the market size of global entertainment is expected to rise during this period, the growth of digital revenues will surpass the overall growth.



SOURCE: PWC GLOBAL ENTERTAINMENT & MEDIA OUTLOOK 2019-2023

As there is greater personalisation of media and e-commerce experiences, consumers are increasingly demanding instant gratification. This necessitates the use of digital technology at the point of consumption for both content distributors and marketers, and is resulting in a rapidly-increasing number of consumer touchpoints.

The concept of 'shoppable branding' is fast emerging. In such instances, media content is created in a way so as to allow viewers to access the brand's e-commerce platform and fill the shopping cart with one tap on the screen.

As the entertainment sector becomes increasingly digital, it will generate a significant volume of data. All transactions, however small, are being stored and can be used for analysis of consumer behaviour.

In other words, while consumers are being entertained, the content is tracking their viewership. This may give rise to concerns about data privacy and security. The need to build trust will increasingly become central to the business agenda of entertainment companies, both globally and in Bangladesh.

Every interaction with the consumer in the digital domain will have the ability to strengthen or break trust.

The wave of personalisation is a global phenomenon that is going to impact the entertainment industry in Bangladesh as well. Enabled with technological advancements, appointment viewing is going to be the new normal. With easy access to global content for entertainment, entertainment companies will find competition becoming borderless. Hence, these companies would need to evaluate their business plan in order to navigate in this new landscape of entertainment.

The writer is a Partner at PwC. The views expressed here are personal.

US set to give Huawei another 90 days to buy from American suppliers

Reuters, *Singapore/Washington*

THE US Commerce Department is expected to extend a reprieve given to Huawei Technologies that permits the Chinese firm to buy supplies from US companies so that it can service existing customers, two sources familiar with the situation said.

The "temporary general license" will be extended for Huawei for 90 days, the sources said. Commerce initially allowed Huawei to purchase some American-made goods in May shortly after blacklisting the company in a move aimed at minimizing disruption for its customers, many of which operate networks in rural America.

An extension will renew an agreement set to lapse on August 19, continuing the Chinese company's ability to maintain existing telecommunications networks and provide software updates to Huawei handsets.

The situation surrounding the license, which has become a key bargaining chip for the United States in its trade negotiations with China, remains fluid and the decision to continue the Huawei reprieve could change ahead of the Monday deadline, the sources said.

US President Donald Trump and Chinese President Xi Jinping are expected to discuss Huawei in a call this weekend, one of the sources said.

Huawei did not have an immediate comment. China's foreign ministry did not immediately respond to a faxed request for comment. When the Commerce Department blocked Huawei from buying US goods earlier this year, it was seen as a major escalation in the trade war between the world's two top economies.

The US government blacklisted Huawei alleging the Chinese company is involved in activities contrary to national security or foreign policy interests.

As an example, the blacklisting order cited a criminal case pending against the company in federal court, over allegations Huawei violated US sanctions against Iran. Huawei has pleaded not guilty in the case.

The order noted that the indictment also accused Huawei of "deceptive and obstructive acts". At the same time the United States says Huawei's smartphones and network equipment could be used by China to spy on Americans, allegations the company has repeatedly denied.

The world's largest telecommunications equipment maker is still prohibited from buying American parts and components to manufacture new products without additional special licenses.

Many Huawei suppliers have requested the special licenses to sell to the firm. Commerce Secretary Wilbur Ross told reporters late last month he had received more than 50 applications, and that he expected to receive more.

Out of $70 billion that Huawei spent buying components in 2018, some $11 billion went to US firms including Qualcomm, Intel and Micron Technology.

The Commerce Department late on Friday declined to comment, referring to Ross's comments to CNBC television earlier this week in which he said the existing licenses were in effect until Monday.

Asked if they would be extended he said: "On Monday I'll be happy to update you."


AFP/FILE

Guests discover Huawei devices during the Huawei developer conference at the Huawei Campus in Dongguan, Guangdong province in China.

Thailand earmarks $10b for 'urgent economic stimulus'

Afp, *Bangkok*

THAILAND will pour more than $10 billion into the economy, the finance ministry said Friday, as a new government looks to kickstart sputtering growth after five years of junta rule.

The once-vibrant Southeast Asian economy sagged after a 2014 coup and growth slowed to 2.8 percent in the first quarter of this year, the first time it dipped under 3 percent since mid-2015, according to the World Bank.

The generals who seized power steered a transition to civilian rule after disputed elections in March but are under pressure to ram through ambitious investment schemes and create jobs amid a global slowdown and US-China trade tensions.

A surge in the Thai baht is also hindering recovery by weighing on the competitiveness of exports and tourism.

The estimated 316 billion baht ($10.2 billion) package will be set aside for "urgent economic stimulus measures", the finance ministry said, adding that the proposal needs final approval from the cabinet.

"It is expected that the Thai economy will be driven towards GDP growth of 3 percent," the statement added.

The money includes aid for more than 900,000 farmers affected by drought, 1,000 baht ($30) handouts for tourism-related expenses, loans for small businesses and hikes in state welfare card subsidies.

Tourism remains the kingdom's banker -- accounting for a fifth of the economy -- and Chinese visitors are integral.


AFP

A woman cooks on a street in Bangkok on August 13.

US removes some Chinese furniture, modems from planned 10pc tariffs

Reuters, *Washington*

THE Trump administration is sparing some Chinese-made household furniture, baby items and internet modems and routers from its next rounds of 10 percent tariffs, it said on Friday.

The US Trade Representative's office released a complete list of the items that were removed from $300 billion in tariffs scheduled to go into effect on Sept. 1 and Dec. 15, some of which had already been hit with 25 percent tariffs.

Trump on Tuesday delayed more than half of the proposed tariffs until December, saying it would help shield businesses and consumers from the US-China trade war fallout during the Christmas selling season.

The new list of 44 categories of spared imports, worth about $7.8 billion according to US Census Bureau data, also includes some chemical compounds used in the manufacture of plastics. Reuters previously reported that bibles and religious texts would be spared from the tariff list.

Modems and routers made in China were part of a $200 billion list of products hit with tariffs last September that have since been raised to 25 percent. Friday's exclusion would avoid a further 10 percent hike as Trump imposes tariffs on Sept. 1 to products in the same broad customs category, including smart watches, smart speakers and Bluetooth headphones.

The bulk of the items removed from the tariff list were furniture products, including wooden- and metal-framed chairs and those made of plastics. Some of these were previously hit with tariffs as part of broader furniture categories.

Alibaba and the $15b question: Amid Hong Kong's protests, when to list?

Reuters, *Hong Kong*

HONG Kong's political unrest is posing a dilemma for Alibaba Group Holding Ltd on the timing of its planned $15 billion listing in the city, with sources saying China's biggest e-commerce company is now considering several timetables.

New York-listed Alibaba was most likely to launch the offer - potentially the world's biggest of the year - as early as the third quarter, sources have said, and late August, after its first-quarter earnings, was widely viewed as the most likely window.

In preparation for the giant offer, bankers advising other large listings in Hong Kong have been careful to avoid planning their launches around that period, fearing that a clash of timing would crowd out their offerings.

But not a word was mentioned by Alibaba on the Hong Kong listing when it released estimate-beating earnings on Thursday nor did the offer come up in the hour-long discussion with analysts after the results.

Two sources involved in the deal and one other briefed on Alibaba's discussions described the company's thinking on the deal as "fluid" and said Alibaba was considering several timetables.

Alibaba declined to comment.

The Hong Kong listing deal was estimated at up to $20 billion, but is more likely, according to sources close to the deal, to raise between $10-$15 billion.

The listing was always expected to be a complex affair because of China's tight control of cross-border share trading, but Hong Kong's unrest has taken the complexity several notches higher.

More than 10 weeks of confrontations between police and pro-democracy protesters have plunged Hong Kong into its worst crisis since it returned to Chinese rule in 1997 and presented President Xi Jinping with his biggest popular challenge since taking power in 2012. Tear gas has been used frequently by police while more than 700 people have been arrested.

This week protesters effectively closed the city's airport on two successive days, disrupting tens of thousands of travelers and posing a practical problem to any company considering launching a deal roadshow in Hong Kong.

Under the circumstances, when Alibaba lists becomes crucial as it sends a signal to the rest of the world on the state of Hong Kong as a business and financial center and provides a window into China's reading of the situation.

"How do you think Beijing feels about giving Hong Kong a $15 billion gift like this, right now?" asked one capital markets professional not involved in the Alibaba deal.

A listing by Alibaba is a big deal for Hong Kong, which loosened its rules last year specifically to lure overseas-listed Chinese tech giants to list closer to home. Alibaba would be the first to test the new system.

Asked this week whether Hong Kong's turmoil would affect its listing, Hong Kong stock exchange chief executive Charles Li avoided directly acknowledging the company's application, which is still technically confidential.

But Li added: "I am confident that companies like that ultimately will find a home here, because this is home and I think they will come. I don't know when though."

Alibaba's Hong Kong listing is also sensitive for China, which has been working to give mainland investors a bigger role in funding the country's fast-growing tech sector.

Officials are conscious that capital controls and the U.S. listing preference of most of China's first-generation tech giants mean that international shareholders have profited far more from their success than local invesztors.

Mainland investors can buy Hong Kong shares through the so-called Stock Connect, which allows investors in Shanghai, Shenzhen and Hong Kong to trade shares listed on each others' exchanges.

REUTERS/FILE

A logo of Alibaba Group is seen at an exhibition during the World Intelligence Congress in Tianjin, China.