



Parveen Haque Sikder, a director of National Bank, hands over one of four buses to the authority of National Bank Public School and College yesterday as a donation from the bank's foundation. Choudhury Moshtaq Ahmed, managing director of the bank, was present.

## Indonesia announces surprise rate to offset tepid global growth

AFP, Jakarta

Indonesia's central bank announced a surprise interest rate cut Thursday as it looks to offset tepid global growth, after Southeast Asia's biggest economy posted its slowest quarterly expansion in two years.

Bank Indonesia (BI) trimmed its key lending rate by 25 basis points to 5.5 percent -- the second rate reduction in as many months -- and signalled more cuts could be in store.

"This is a pre-emptive measure to boost momentum," said bank governor Perry Warjiyo.

"Indonesia is fortunate that its economy continues to expand, but we must anticipate the risks of a slowdown in the global economy." Indonesia has been grappling with

weaker prices for key commodities like coal and palm oil, as the world economy falters on the back of the US-China trade war.

Some analysts had expected the bank to hold off cutting borrowing costs again over concerns about weakening in the rupiah currency.

"Today's rate cut came as a surprise," Franziska Palmas of research house Capital Economics said in a report.

"The slowing economy and subdued inflation mean BI would certainly like to cut rates again in the coming months." But "further loosening is likely to be gradual", Palmas added. The central bank also lowered its deposit and lending facilities by 25 basis points to 4.75 percent and 6.25 percent respectively. Economic growth weakened to

5.05 percent in the April-June period as exports and investment slipped -- the slowest quarterly expansion in two years.

That has thrown up a challenge for Indonesian President Joko Widodo, who was re-elected this year largely on his bid to energise the economy with a roads-to-airports infrastructure blitz.

Last week, Widodo said his second term would focus on cutting red tape and luring foreign investment.

The government also ticked up its economic growth forecast for next year to 5.3 percent, from an earlier 5.2 percent. Indonesia's economy has been expanding around five percent annually, but that is well short of the seven percent Widodo had pledged in his first term.

## Indians pawning the family gold amid credit crunch

REUTERS, Aurangabad/Mumbai, India

Refused a loan by a state-run lender and desperate for funds to buy cotton seeds before the summer sowing season window closed, Indian farmer Babasaheb Mandlik ran out of choices -- he pawned his wife's gold jewelry.

Mandlik, who owns an 8-acre cotton farm in western India, pledged 70 grams of gold, almost all of his wife's precious trinkets, in June in return for 150,000 rupees (\$2,105).

"Pawning the jewelry was a difficult decision as my wife likes to wear it at festivals and weddings," 50-year-old Mandlik told Reuters. "I convinced her that we didn't have any other option."

Mandlik is not alone. While pawning gold has long been an option for quick funds in a country that is the world's second-biggest consumer of the yellow metal, several lenders told Reuters of unprecedented demand as people struggle to secure loans from banks grappling with bad debt and a shadow lending industry stung by a liquidity crunch.

The trend, which has prompted some lenders to impose restrictions as risks and borrowing costs rise, has been accelerated by record gold prices. Indians' penchant for gold spans centuries and is rooted in the Hindu religion. Households own an estimated collective 25,000 tonnes of gold, which passes from one generation to the next.

Domestic gold prices have risen



REUTERS/FILE

An employee weighs gold ornaments inside a Muthoot Fincorp branch in Mumbai.

more than a fifth this calendar year, hitting a record high of 38,666 rupees per 10 grams earlier this month amid a global rise.

"As a lot of NBFCs (non-bank financial companies) have become cautious of giving unsecured or even secured loans, we are seeing more customers opting for gold loans instead," said Sumit Bali, chief executive officer of IIFL Finance. "One can obtain a gold loan and walk out of the branch in just thirty minutes."

IIFL's gold loan portfolio stood at 65.83 billion rupees (\$922 million) at the end of the June quarter, up 46 percent compared to a year earlier.

Those pawning their precious possessions are most often independent workers, including farmers and small shop owners.

Muthoot Fincorp, a leading gold financing shadow bank with 2.98 million customers, said its gold loans rose 6.6 percent between April 1 and July 24 this year to 358 billion rupees.

"Pledging gold is becoming more lucrative with rising prices. We have seen healthy demand for gold loans in the last few months," said George Muthoot, director at Muthoot Fincorp.

Ashutosh Khajuria, the chief financial officer of Federal Bank Ltd, a private lender headquartered

in south India, said its gold loan portfolio was at an all-time high of around 80 billion rupees and is expected to grow further.

Indian shadow banks began to face a liquidity crunch following the collapse late last year of Infrastructure Leasing & Financial Services, a major player in the non-banking financial companies space. That led to a surge in borrowing costs, forcing NBFCs to freeze, or tighten lending practices.

Some gold lenders who are also NBFCs have not been immune, despite their increased popularity with borrowers and the solid commodity backing their loans.

Manappuram Finance, which has 2.5 million gold loan accounts, last week revealed its cost of funds in the April-June quarter rose to 9.34 percent from 8.77 percent a year earlier.

Muthoot has independently decided to trim the maximum loan amount of 75 percent of gold value imposed by India's central bank to 70 percent, citing higher borrowing costs and the need to shield itself from any future volatility in gold prices.

"We are still expecting growth of 15 percent to 20 percent in gold loans in 2019/20," said George Muthoot.

Mandlik, meanwhile, is hoping to be able to buy back his pawned gold, which includes pieces gifted to his wife by her parents, after the cotton harvest in October. But the success of his crop -- and the future of his wife's jewels -- is at the mercy of India's monsoon rainfall.

## China hopes US would stop wrong tariff action

REUTERS, Beijing

China said on Thursday it hopes the United States will stop its wrong tariff action, adding that any new tariffs would lead to escalation.

The United States said early this month it would slap duties on \$300 billion of Chinese goods from Sept. 1, which would effectively extend its tariffs to all of China's exports to the United States.

But President Donald Trump later backed off part of the plan, delaying duties on some items such as cellphones, laptops and other consumer goods to mid-December, in the hopes of blunting their impact on US holiday sales.

"Despite the US decision to delay tariffs on some Chinese goods ... if the United States rides roughshod over China's opposition and impose any new tariffs, China will be forced to adopt retaliatory actions", Ministry of Commerce spokesman Gao Feng told a news briefing.

Gao said trade teams from both sides have been keeping in touch, when asked whether the Chinese vice Premier Liu He would travel to Washington for the next round of face-to-face talks. When asked if Washington has raised the Hong Kong issue with China during the trade negotiations, Gao referred to Trump's previous remarks that Hong Kong is part of China and it is not necessary for the US to intervene.



BASHUNDHARA GROUP

Bashundhara Group Chairman Ahmed Akbar Sobhan receives a "Business Leader of the Year in Real Estate, Bangladesh" award in international category presented by Re/Max India, Franchise India and Zee Business in New Delhi on Wednesday.

## Yuan falls to fresh 11-year lows on trade war worries

REUTERS, Shanghai

China's yuan fell to fresh 11-year lows on Thursday amid worries about the deepening Sino-U.S. trade war, despite support from major state-owned banks in both the spot and forwards markets.

Spot yuan ended the domestic session down 0.34 percent at 7.0875 per dollar, its weakest such close since March 14, 2008.

Traders said sentiment was fragile, with recent news headlines offering little hope of a US-China trade deal anytime soon and new

said a trader at a Chinese bank in Shanghai.

Prior to the market opening, the People's Bank of China (PBOC) set the midpoint rate CNY=POC at 7.049 per dollar prior to market open, weaker than the previous fix of 7.0433.

State-run banks seen were receiving dollar liquidity in the forwards market before selling the greenback in the onshore spot market, two traders with knowledge of the matter said.

One of them said state banks were seen selling dollars at around 7.07 yuan in the

## Macron says tech giants enjoy 'permanent tax haven status'

AFP, Paris

French President Emmanuel Macron, who will defend a global tax on tech giants at this weekend's G7 meeting, on Wednesday criticised a "crazy" system that gives firms a "permanent tax haven status".

"The global tech players do not contribute financially to the funding of the common good, it is not sustainable," the president told reporters.

He said he had on Monday discussed the issue with US President Donald Trump, who has strongly opposed a law passed in France last month on taxing digital companies even if their headquarters are elsewhere.

The law will affect US-based global giants like Google, Apple, Facebook and Amazon, among others. Macron said there had been "very strong lobbying" by the tech giants.

"We must stop having people who have a permanent tax haven status," he said.

The French law aims to plug a taxation gap that has seen some internet heavyweights paying next to nothing in European countries where they make huge profits, because their legal base is in smaller EU states.

France has said it would withdraw the tax if an international agreement is reached, and Paris hopes to include all OECD countries by the end of 2020.

## Trump attacks Ford Motor for not backing fuel economy rollback

REUTERS, Washington

US President Donald Trump stepped up a series of attacks on automakers on Wednesday for not backing his administration's plan to roll back Obama-era fuel efficiency rules, singling out Ford Motor Co in particular for backing a deal with California for stricter fuel economy standards.

Ford is one of four automakers, along with Honda Motor Co, BMW AG and Volkswagen AG, that reached a voluntary agreement with California on fuel efficiency rules, defying Trump and his administration's effort to strip the state of the right to fight climate change by setting its own standards.

The rules under the California plan are looser than the Obama-era regulations but stricter than what the Trump has proposed.

Trump said company founder Henry Ford would be "very disappointed if he saw his modern-day descendants wanting to build a much more expensive car, that is far less safe and doesn't work as well, because execs don't want to fight California regulators."

Ford said in a statement that it is focused on acting to protect the environment while also protecting the affordability of vehicles. "This agreement with California provides regulatory stability while reducing CO2 more than complying with two different standards," it said.

There is no evidence that existing fuel economy rules would degrade vehicle performance. And environmentalists and many states challenge Trump's assertion that his administration's proposed rule would boost vehicle safety or dramatically reduce the price of vehicles -- and argue that consumers will save more in reduced fuel costs under the Obama rules.

California Attorney General Xavier Becerra responded to Trump's attacks on automakers saying it would result in an additional 540 million metric

tons of greenhouse gases and other harms. "This doesn't look like a better alternative to us," he said.

The White House has urged other automakers not to back the California agreement, while Democrats have been calling and writing automakers urging them to sign on with California.

The Environmental Protection Agency on Tuesday ridiculed the voluntary framework, which it said "so far has been nothing more than a press release."

"My proposal to the politically correct Automobile Companies would lower the average price of a car

priorities, including affordability so more Americans can buy a new car, plus preserving jobs and safety at the same time."

GM has not backed the voluntary agreement, arguing that it does not properly credit the company's electric vehicles. Even so, Trump tweeted that the founders of Ford and GM "are rolling over" at the weakness of current car company executives "over the fuel rules, adding: "Crazy!"

GM said late Wednesday that the company is "continuously improving fuel economy" and is focused on "working with all parties



US President Donald Trump

to consumers by more than \$3000, while at the same time making the cars substantially safer. Engines would run smoother. Very little impact on the environment! Foolish executives!" Trump tweeted earlier.

Gloria Bergquist, a spokeswoman for the Alliance of Automobile Manufacturers, representing General Motors Co, Toyota Motor Corp, Ford, Volkswagen and others, said the companies "look forward to seeing a final rule soon. We support increases to standards that optimize all the

on a solution that would involve a 50-state solution and a national electric vehicle program." Sierra Club Executive Director Michael Brune said Trump's tweet was completely untrue. "Trump's rollback is unraveling from every corner," he said.

All major automakers are on record saying they oppose the administration's "preferred option" announced in August 2018, which would freeze fuel economy requirements at 2020 levels through 2026.



A woman looks at an instructional sticker on a bank door, showing how to distinguish genuine yuan banknotes from counterfeits, in Beijing on August 16.

US levies on Chinese goods set to go into effect on Sept. 1.

China hopes the United States will stop its wrong tariff action, the commerce ministry said on Thursday, adding that the imposition of any new tariffs would lead to retaliatory actions.

US President Donald Trump said on Wednesday he was "the chosen one" to address trade imbalances with China, even as congressional researchers warned that his tariffs would hurt the American economy.

"The market pays very close attention to the China-US trade dispute, and its impact on the yuan is much heavier than other factors, such as economic fundamentals,"

spot market to prevent sharper losses in the local unit.

The moves injected a note of caution into the market, fueling speculation that authorities may be trying to put a floor under the yuan, the trader added.

But selling picked up again in the afternoon, prompting investors to place stop-loss orders in their short dollar positions, according to a trader at a Chinese bank.

State-owned banks are widely believed by many investors to act on behalf of the central bank in the country's foreign exchange market, although they can trade on their own behalf as well.