NRB BANK

Md Mehmood Husain, CEO of NRB Bank, poses with its management trainee officers at a foundation training at its learning and development centre in Dhaka recently.

Greek PM set to outline tax cuts, structural reforms

REUTERS, *Athens*

Greece's prime minister is expected on Saturday to detail tax cuts for companies strained by years of austerity, while also promising pro-business reforms aimed at convincing lenders to ease the nation's fiscal target from 2021.

Conservative premier Kyriakos Mitsotakis was elected two months ago, replacing his leftist predecessor Alexis Tsipras on pledges to revamp Greece's economy a year after the end of its third international bailout.

Greece remains under financial surveillance to ensure it meets its fiscal targets, and Mitsotakis says his government is confident of achieving a primary budget surplus — which excludes debt-servicing costs — of 3.5 percent of GDP in 2019 and 2020, as agreed with European lenders.

He hopes, however, that foreign creditors will be persuaded to lower that target to around 2 percent in 2021, after Athens gains credibility by implementing reforms such as modernising and making its state more efficient and cutting down on red tape.

In Saturday's speech at an annual trade fair in the city of Thessaloniki, Mitsotakis is expected to reiterate that corporate tax will be cut to 24 percent in 2020 from 28 percent currently and to 20 percent in 2021, with taxation on dividends to be halved to 5 percent, government officials said.

He is also expected to announce measures to help ease the tax burden for certain groups of austerity-hit taxpayers and offer incentives to boost the construction sector.

Trump bullish on China tariffs, but aide warns of long haul

AFP, *Washington*

US President Donald Trump on Friday said the costs of his protracted trade war are falling squarely on China, but a top adviser warned that the struggle between the economic superpowers could drag on for years.

Top-level negotiators are due to resume stalled talks in Washington early next month, with lower-level staff preparing the way in late September, according to officials on both sides.

And Trump says the pressure is on China to come to the table.

"China is eating the tariffs," Trump said on Twitter, repeating his claim that higher duties mean Washington is collecting billions of dollars from the Asian giant, without costs being passed on to US importers.

"China having worst year in decades. Talks happening, good for all!"

The face-off between the number one and two economies began about 18 months ago and now features steep tariffs on hundreds of billions of dollars' worth of trade. Trump says he wants to force China into radical change on protection for intellectual property and other key aspects of the current trading relationship.

US President Donald Trump

But White House economic adviser Larry Kudlow cautioned that the trade war could be a drawn-out contest resembling the Cold War under president Ronald Reagan in the 1980s.

"The stakes are so high, we have to get it right. If that takes a decade, so be it," Kudlow told reporters.

"This is the kind of thing where you're looking at far-reaching consequences... so if it takes us more time to do it and to get it right, so be it," he said.

"I didn't go through the whole Cold War, but a lot of it. You know, it took decades, decades, to get where we wanted to be with the old Soviet Union."

Trump has repeatedly insisted that US tariffs and China's slowing economy will pressure Beijing to cut a deal. There are signs that the trade war has also begun to weigh on the US economy, however.

Corporate earnings reports indicate US companies have been hit by the tit-for-tat measures and overall uncertainty. A report released this week said more than 10,000 job cuts announced last month stemmed from "trade difficulties."

Tariffs were hiked by both sides last month and US duties on Chinese goods are due to rise further in October and December.

However, Kudlow said the face-to-face talks will resume in a good atmosphere.

"I'm just saying it is good thing that they're coming here, and tempers are calmer," Kudlow said on CNBC television.

"We would love to go back to where we were in May, where we were getting kind of close to an agreement, maybe 90 percent of the way," he added.

"It's very positive that we negotiate and it may well be that something positive comes out of that."

Talks abruptly broke up in May, with Washington accusing Beijing of retracting core commitments just when an overall agreement was close to fruition.

BANGLADESH KRISHI BANK

Md Ali Hossain Prodhania, managing director of Bangladesh Krishi Bank, attends the bank's branch managers' conference for Kushtia division in Kushtia on Friday.

RAJSHAHI KRISHI UNNAYAN BANK

Muhammad Nazrul Islam, chairman of Rajshahi Krishi Unnayan Bank, speaks at the bank's "Performance evaluation meeting for 2019 of managers" for Naogaon and Joypurhat zones in Naogaon recently.

BASIC BANK

Alauddin A Majid, chairman of BASIC Bank, attends the bank's managers' conference for 2019 at its training institute in Dhaka yesterday. Md Rafiqul Alam, managing director, was present.

Citigroup doubles down on credit cards even as US economy softens

REUTERS, *New York*

Despite signs that the US economy is slowing, New York-based Citigroup Inc is betting big on credit cards.

Citigroup, the third-largest US card issuer, according to payments industry publication The Nilson Report, has been among the most aggressive promoters of zero-interest balance transfers.

For a small fee, customers can move debt from a rival card onto Citi's plastic and pay no interest for 21 months. That is currently the longest 0 percent deal in the industry, according to consumer finance company Bankrate LLC. Rivals offer 15 interest-free months with no fee. The card business now accounts for nearly one-third of Citigroup's overall revenue and is one of the biggest potential drivers of future earnings growth.

But some analysts and investors worry this portfolio could become a liability if the economy goes south. The bank continues to advertise zero-interest deals on popular personal finance websites and through mailers, even as competitors have scaled back.

"Just recognizing where we are in the credit cycle, it's interesting to see Citigroup doubling down and pushing forward," said Moody's analyst Warren Kornfeld.

Credit card customers who use balance transfers are considered higher risk because they often use the easy financing to accumulate more debt, according to bank analysts and credit underwriters.

Wall Street's worst fears lie with borrowers such as Jacqueline Alvarado, a Pennsylvania truck driver who now owes $12,000. Over the past five years, Alvarado says she has moved balances around on 19 cards, including one from Citigroup, to avoid finance charges. If the promotional offers dry up, she said, so do her hopes of paying off that debt.

Zero interest is "the only way I can stay afloat," said Alvarado, 40.

In interviews with Reuters, Citigroup executives defended their card strategy and tough underwriting standards they say will protect the bank from major losses in the event of a downturn.

Citigroup's card business has reported delinquency rates far below the industry average in recent years, according to federal data and filings. In addition, 83 percent of consumers in its American credit card business, excluding its retail partnership cards, have credit scores of 680, which is considered a good score, according to credit rating firm Experian.

Citigroup counts on customers sticking around after the promotional period expires. With annual percentage rates of up to 27 percent on its cards, the profits on borrowers who carry balances can be juicy.

The strategy so far is paying off. Interest-bearing balances rose 10 percent in the second quarter versus the year-ago period. That growth helped boost overall profits on consumer lending by 9 percent.

Anand Selva, the bank's head of consumer strategy, said he expects the business to continue picking up steam.

Citigroup shares have rallied more than 20 percent so far this year. The KBW Banking Index, the benchmark stock index for the US banking sector, rose 6 percent over the same period.

Selva says Citigroup has taken other steps to encourage cardholders to do more than transfer balances. For example, it has sweetened its reward program by offering a new credit card that rounds up to the nearest 10 reward points on every new purchase. And it has introduced installment loans linked to credit lines for large purchases.

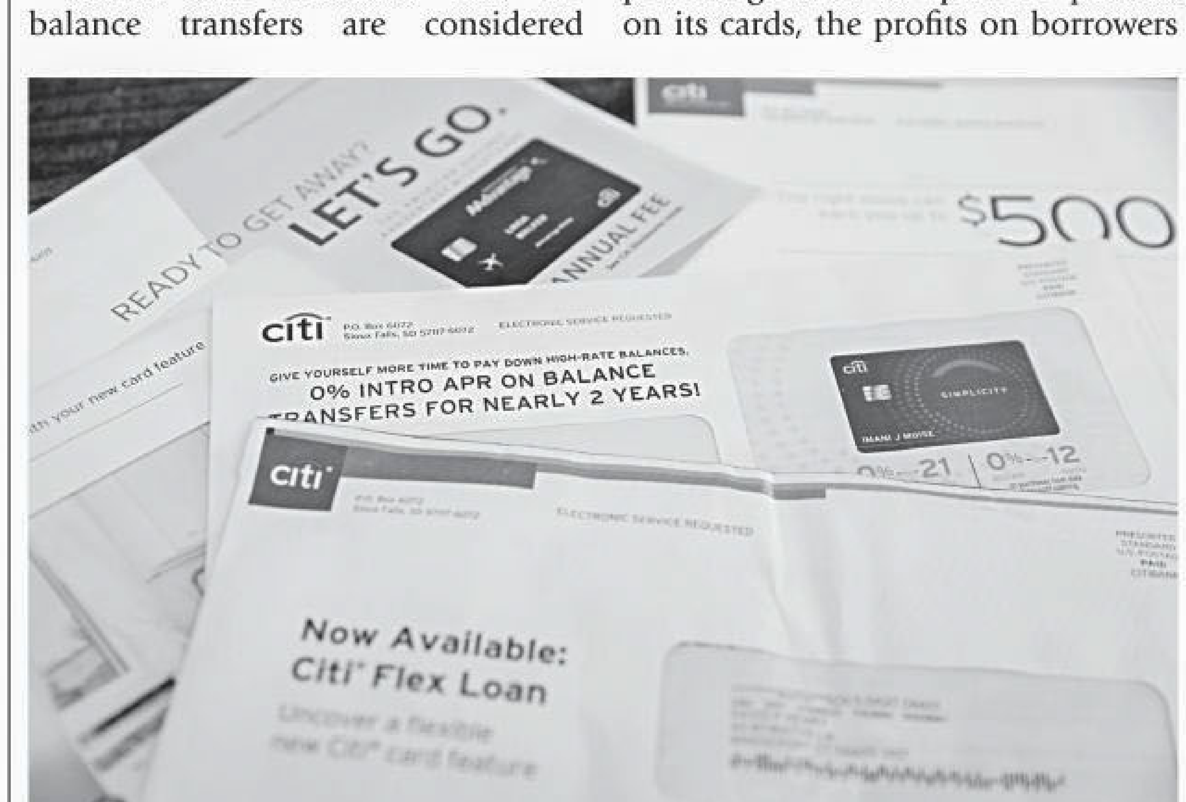
Major card rivals, meanwhile, are proceeding more cautiously.

Discover Financial Services, known for flooding mailboxes with promotions, has said on analyst calls that it is paring those offers and tightening personal loan underwriting over concerns the economy is slowing. Capital One Financial Corp, which pioneered balance transfers in the early 1990s, similarly told analysts and investors it has become more conservative in extending credit lines while targeting wealthier clients who typically do not carry balances.

Bank of America Corp and JPMorgan Chase & Co, two of the biggest card lenders, have grown their businesses by prioritizing affluent consumers over people already carrying credit card debt, according to analysts.

Citigroup has leaned more on its card business since the 2007-2009 financial crisis. The bank required three government bailouts when its US subprime mortgage business turned toxic and caused it to shrink its portfolio to stem losses.

It sold its retail wealth management unit to Morgan Stanley, and it no longer engages in traditional mortgage and auto lending. Citigroup now has one-fifth the number of US branches as its primary competitors.



REUTERS/FILE

Balance transfer envelopes are pictured in a Reuters office in New York.

China's foreign exchange reserves rise to $3.11tr

REUTERS, *Beijing*

China's foreign exchange reserves rose unexpectedly in August, even as the yuan posted its biggest monthly drop in 25 years amid escalating trade tensions with the United States.

The country's foreign exchange reserves - the world's largest - rose by $3.5 billion in August to $3.1072 trillion, central bank data showed on Saturday.

Economists polled by Reuters had expected reserves would fall $4 billion from July to $3.100 trillion, likely due to fluctuations in global exchange rates and the prices of foreign bonds that China holds.

The increase in August was due to China maintaining a stable balance of international payments and generally stable economic growth, the foreign exchange regulator said in a statement after the data release.

Bond prices in major countries also rose, it added.

China has been able to keep capital outflows under control over the past year despite an escalating trade war with the United States and weakening economic growth at home.

Reserves have rebounded from an October 2018 low thanks to capital controls and rising foreign investments in Chinese stocks and bonds.

In August, the yuan tumbled about 3.8 percent against the dollar – its sharpest monthly drop since China unified official and market exchange rates in 1994. It is currently trading at 11-1/2 year lows.

China allowed the yuan to break through the closely watched 7-per-dollar level on Aug.5 for the first time since the global financial crisis, days after the United States said it would impose more tariffs on Chinese goods from Sept. 1.

Hours after the yuan slid, Washington labelled China a currency manipulator for the first time since 1994, but China's foreign exchange regulator said such move had no grounds and did not accord with facts.

The yuan has now depreciated about 12 percent against the dollar since the two sides began exchanging tit-for-tat tariffs in April last year.

The regulator said in August it did not expect a disorderly depreciation of the yuan despite the impact from external factors such as trade frictions, and traders believe the central bank has been trying to slow the pace of decline.

The dollar rose 0.4 percent in August against a basket of other major currencies.

With downward pressure on the economy increasing, China on Friday announced further cuts in banks' reserve requirements to free up more funds for lending.

Analysts also widely expected modest interest rate cuts in mid-September.

Growth is believed to be nearing the bottom end of the government's 6-6.5 percent full-year target range, after slowing to 6.2 percent in the second quarter, its weakest pace in at least 27 years.

China burned through $1 trillion of reserves supporting the yuan in the last economic downturn in 2015, which also saw it devalue the currency in a surprise move.

China has been ramping up its gold reserves this year.

It held 62.45 million fine troy ounces of gold at end-August, up 4.85 percent from 59.560 million ounces at the end of 2018.

The value of its gold reserves rose to $95.45 billion at end-August from $87.876 billion at end-July.