



M Nasir Uddin, managing director of Pacific Jeans; Syed M Tanvir, a director, and Mahbubur Rahman, deputy managing director of City Bank, attend a deal signing ceremony on employment banking facilities at the former's corporate office in Chattogram recently.

German institutes see recession, cut growth forecasts

REUTERS, Berlin

The German economy will slide into a recession in the current quarter, the Kiel Institute for the World Economy (IfW) said on Wednesday as it slashed its growth forecasts for Europe's biggest economy due to trade disputes and Brexit uncertainty.

The IfW institute said it expected the German economy to shrink by 0.3 percent quarter-on-quarter in the third quarter after a 0.1 percent contraction in the previous quarter.

It also cut its 2019 growth forecast for the German economy to 0.4 percent from 0.6 percent previously. For 2020, it now sees growth of 1.0 percent for 2020, down from its earlier estimate of 1.6 percent. For 2021, the institute predicts an expansion of 1.4 percent.

"The real problem with Donald Trump's trade disputes is not the tariffs themselves, but the great uncertainty about what is to come. Uncertainty is poison for investment decisions," IfW President Gabriel Felbermayr said.

He noted, however, that many emerging countries around the world still had a lot of economic catching up to do.

"This offers very great export opportunities for German mechanical

engineers and car manufacturers," he said. "There is therefore no reason to question the export orientation of the German economy." The RWI economic institute also reduced its growth forecast for the German economy for this year to 0.4 percent from 0.8 percent previously. For 2020, it sees 0.9 percent growth, saying there were increasing signs that the economy was going into a downturn.

"In particular, the decline in production continues in the manufacturing sector, especially in the automotive industry," it said. "This increases the risk that the German economy will fall into recession."

Chancellor Angela Merkel told lawmakers earlier that the current economic situation in Germany meant tax revenues may come in lower than expected. This could limit the government's fiscal room to counter a recession.

However, Finance Minister Olaf Scholz told lawmakers on Tuesday that Germany was ready to pump "many, many billions of euros" into its economy to counter any significant slowdown in growth and the country must take bold measures to fight climate change before it's too late.

China removes several US products from tariffs list

AFP, Beijing

China on Wednesday said it would spare a number of US products from punitive tariffs in what is seen as an olive branch by Beijing in the protracted trade war ahead of high-level talks next month.

However, the goods do not include big-ticket agricultural items that could be crucial to the ultimate success of any agreement between the two sides, whose stand-off is dragging on the global economy.

The exemptions will become effective on September 17 and be valid for a year, according to the Customs Tariff Commission of the State Council, which released two lists that include seafood products and anti-cancer drugs.

The lists mark the first time Beijing has announced products to be excluded from tariffs.

Other categories that will become exempt include alfalfa pellets, fish feed, medical linear accelerators and mould release agents, while the commission said it was also considering further exemptions.

Trade negotiators have said they will meet in Washington in early October, raising hopes for an easing of tensions between the world's two biggest economies. Both sides imposed fresh tit-for-tat tariffs on September 1 in the latest round of levies, which now cover goods worth hundreds of billions of dollars.

"These adjustments signal that China is more willing to make progress in the October trade talks, likely toward striking a 'narrow' agreement that involves China buying more US goods in exchange for the



REUTERS/FILE

Containers are seen at the Yangshan Deep Water Port in Shanghai.

US suspending further tariff hikes," Barclays analysts said in a research note. The analysts said Beijing had been sounding a more "constructive" note in recent weeks over trade relations.

US businesses in China are increasingly pessimistic about their prospects, with a report released Wednesday saying growing numbers of companies expect their revenues and investment in the local market to shrink. The American Chamber of Commerce in Shanghai said just 47 percent said they expected to increase their investments in China in 2019 -- down from 62 percent last year -- while three-quarters of businesses surveyed said they opposed the US use of punitive tariffs to force China into a trade deal.

In a sign of the pressure being felt

by China, the central People's Bank of China said on Friday it would cut the amount of cash lenders must keep in reserve, allowing for an estimated \$126 billion in additional loans to businesses. China's economy grew 6.2 percent on-year in the second quarter, the lowest rate in nearly three decades.

President Donald Trump on Friday said the weight of the protracted trade war is damaging China more than the US.

"China is eating the tariffs," he 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 consumers.

But experts have warned there are signs the US is also feeling the pinch, with job creation slowing across major industries last month.

India's fuel demand rises 2.8pc

REUTERS

India's fuel demand rose 2.8 percent in August compared with the same month last year, but were at their lowest level in nine months.

Consumption of fuel, a proxy for oil demand, totaled 17.04 million tonnes, its lowest since last November, data from the Petroleum Planning and Analysis Cell (PPAC) of the oil ministry showed on Wednesday.

Sales of gasoline, or petrol, were 8.9 percent higher from a year earlier at 2.57 million tonnes.

Diesel sales fell 1.1 percent to 6.12 million tonnes, its first year-on-year percentage decline in nine months.

Cooking gas or liquefied petroleum gas (LPG) sales surged 13 percent to 2.40 million tonnes, while naphtha sales increased 3.7 percent to 1.15 million tonnes.

Sales of bitumen, used for making roads, were up 23.8 percent, while fuel oil use edged lower 15.9 percent in August.

India revised down its fuel consumption for July to 17.68 million tonnes, an increase of 3.9 percent from the previous year, its biggest year-on-year percentage gain since January.



BPROPERTY.COM

Mark Nosworthy, CEO of Bproperty.com, speaks at a knowledge sharing session on "Digital transformation in real estate sector in Bangladesh" which it organised for the members of Economic Reporters' Forum at ERF in Dhaka.



PRIME BANK

Md Habibur Rahman, a general manager of Bangladesh Bank, and Md Touhidul Alam Khan, deputy managing director of Prime Bank, exchange the documents of an agreement at the former's office in Dhaka recently for providing loans to the jute sector under a refinance scheme of the central bank.



NOKIA

From left, Farhan Rashid, head of business at HMD Global Bangladesh; Ravi Kunwar, head for Pan Asia at HMD Global; Raquibul Kabir, managing director of Union Group, and Ifat Zahur, marketing lead at HMD Global Bangladesh, launch seven new Nokia phones at The Westin Dhaka yesterday. HMD Global is a Finnish company which makes Nokia phones.



WALTON

Uday Hakim and Ariful Ambia, executive directors of Walton Group, hand over Tk 10 lakh at a programme at Agrabad in Chattogram on Sunday to the winner of the company's digital campaign who had purchased a freezer.

Japan wins partial WTO victory in SKorea duties case

AFP, Geneva

The World Trade Organization on Tuesday largely faulted South Korea in a final ruling over anti-dumping duties slapped on imports of industrial pneumatic valves imported from Japan.

The WTO's Appellate Body mostly upheld a previous ruling finding that Seoul's anti-dumping duties on Japanese pneumatic valves violated some international trade rules.

It requested that South Korea "bring its measures found ... to be inconsistent with the Anti-Dumping Agreement, into conformity with its obligations".

But it also threw out some of Japan's claims of alleged breaches.

Tokyo nonetheless hailed the ruling, saying in a statement the Appellate Body "accepted core claims of Japan".

It demanded that South Korea "sincerely and promptly correct its measures that are inconsistent with the WTO Agreement so that its unjust measures against Japanese companies will not continue".

The WTO, which aims to create a level playing field in global trade, cannot force compliance with its rulings, but may approve retaliatory measures against violators of international trade rules.

EU begins rethinking fiscal rules as economy slows

REUTERS, Brussels

The European Union is bracing for a review of its strict fiscal rules as the bloc's economy slows, while monetary stimulus is seen as being close to its limits, according to an EU document and officials.

The periodic assessment is dictated by EU rules but it comes at a time when many are questioning the rationale of budget regulations, known as the Stability and Growth Pact, that were speedily overhauled in the wake of Europe's 2010-2012 debt crisis.

"While the original rules had the sole objective of ensuring sound and sustainable government finances, increasing emphasis is being placed by some on the role of fiscal policy in economic stabilisation," says a document prepared by the Finnish presidency of the EU.

Separately, on Tuesday the president-designate of the EU Commission, Ursula von der Leyen, assigned the economic portfolio in the new executive to Italy's leftist former prime minister Paolo Gentiloni, in a move seen by some observers as a step towards fiscal loosening.

The Finnish internal document, dated Sept. 9 and reviewed by Reuters, will orientate a debate on the reform of fiscal rules which EU finance ministers will hold in Helsinki on Saturday, according to the meeting's agenda.

Finland, which has traditionally supported a rigid interpretation of the stability pact, conceded in the document that the role of the euro zone's fiscal policy to support the economy is increasingly seen as crucial, also because monetary policy is perceived "as more and more

constrained".

Years of European Central Bank's negative rates and monetary stimulus have dispelled immediate risks for the euro zone's very survival, but have failed to sufficiently raise inflation and growth in the bloc.

Under existing provisions, the EU executive commission is required

independent public agencies that could take on new debt to invest in the country's flagging economy, without falling foul of strict national spending rules.

Italy's Prime Minister Giuseppe Conte repeated on Tuesday Rome will seek a reform of fiscal rules to promote growth.



REUTERS/FILE

European Commission's president-designate Ursula von der Leyen speaks during a news conference at the EU Commission headquarters in Brussels.

to re-assess its fiscal rules by the end of this year. It refrained from recommending an overhaul after its first review in 2014, but at that time rules had not been properly tested.

The outcome may be different now as Germany, the bloc's traditional economic motor, is on the brink of recession with officials in Berlin openly suggesting they could pump money into the economy to counter any significant slowdown.

On Monday, Reuters reported that Germany is considering setting up

Last year, the European Fiscal Board, an EU body that advises on budget rules, said fiscal regulations that require euro zone states to keep deficits below 3 percent of output and gradually bring debts below 60 percent were too complex.

It proposed that countries which maintain their primary expenditure below a set ceiling over a three-year period - and therefore are set to lower their debt - could be considered in line with EU rules even if they run excess deficits.