



Tapan Chowdhury, Nihad Kabir, Syed Afzal Hasan Uddin, and Dilip Kajuri, sponsors and patrons of Guardian Life Insurance Ltd, and MM Monirul Alam, CEO, cut a cake to celebrate the bank's sixth anniversary in Dhaka on Wednesday.

Battle to attract trade war's corporate refugees intensifies

REUTERS, Chonburi, Thailand

When trade war tariffs jolted Chinese tyre-maker Prinx Chengshan into speeding up foreign investment plans, the company wound up in Thailand, thanks to that country's relentless courtship.

With an initial investment of \$300 million, the company is now racing to build a factory to export tyres to the United States next year, based in a Thai industrial zone reinvigorated by the trade war.

Multiple visits to China by Thailand's Board of Investment helped. So did two personal meetings with Thailand's top policymaker, said Ju Xunning, a company manager.

"This impressed our company, and this is also one of the main reasons for choosing Thailand," Ju told Reuters. "It's apparent that the government values doing business with us."

With global economic growth flagging, in part because of US President Donald Trump's trade war with China, competition is growing among Asian countries to win investment from companies moving supply chains to escape higher tariffs.

Tax breaks, promises to slash red tape and trade missions are all on the table. "Companies have thrown in the towel on the status quo," said Rajiv Biswas, Asia Pacific chief economist for IHS Markit.

Vietnam has benefited most from the shifts in terms of the number of companies moving business,

according to independent surveys. But other Asian countries are eager to bring in more business as well, including India and Indonesia.

The trade war has breathed new life into Thailand's Eastern Economic Corridor (EEC), where Prinx Chengshan is building its factory. The programme was set

estate developer WHA, which has nine developments in the area, said Chinese companies account for 43 percent of its land sales, up from less than 3 percent before the trade war.

Chinese companies are being catered to carefully, the company's chief executive, Jareeporn Jarukornsakul, told Reuters.



Workers are seen walking on a construction site in Thailand's Eastern Economic Corridor industrial zone.

up under the former military junta to boost growth that has for years lagged regional peers.

Pledged investment for the zone rose nearly four-fold year-on-year to 88 billion baht (\$2.9 billion) in the first half of 2019. One of the main drivers was investment from companies trying to escape tariffs.

Thailand's biggest industrial

"I told one company, 'This location is very good. You'll be at the heart of the estate, and everyone else will be your tributaries. The feng shui is perfect, you're the emperor,'" she said.

Hong Kong-listed Prinx Chengshan said it had planned on moving tyre production to Malaysia, but wavered after the

Malaysian election in early 2018.

"The government couldn't fulfill several of the promises made to us and we eventually gave up," Ju said at his makeshift office near the building site.

Malaysia's deputy trade and industry minister, Ong Kian Ming, told Reuters that although Prinx Chengshan had gone elsewhere, the country had attracted another Chinese tyre company - Maxtrek Tyres, a subsidiary of Zhaoqing Junhong Corp. Ltd - as well as a paper plant and further Chinese investment.

Both Thailand and Malaysia have since sweetened their deals.

Thailand this month offered a new range of "relocation incentives" - including a five-year 50 percent corporate tax cut - while Malaysia set up an investment board to encourage relocations.

"If approvals took three months earlier, now it would take a month," Ong said. "The trend we see is that many of these strategic investments are reacting to the US-China conflict."

Foreign direct investment to Malaysia nearly doubled to \$12 billion in the first half of 2019, and Ong said he hoped it would accelerate further.

Thailand and Malaysia are competing for higher-end manufacturers, but their wages price them out of labour-intensive work such as stitching shirts and sneakers that is more likely to go to Bangladesh, Myanmar or Cambodia.

Tokyo inflation slows to 16-month low

REUTERS, Tokyo

A leading indicator of Japan's core consumer inflation slowed for a second straight month to its lowest rate in more than a year, underscoring the challenge for the central bank in hitting its 2 percent price target.

Government data released on Friday showed core consumer prices in Tokyo, a leading indicator of nationwide price trends, rose 0.5 percent in September from a year earlier, slowing from a 0.7 percent gain in the previous month.

The rise in the core consumer price index for Japan's capital city, which includes oil products but excludes fresh food prices, undershot the median estimate of a 0.6 percent increase.

It was the slowest growth since May last year and weighed by declines in energy prices.

"October's sales tax hike will serve as one factor for lifting inflation temporarily, but that will be offset

by government steps to make preschool education free of charge," said Masaki Kuwahara, senior economist at Nomura Securities.

"For the time being, energy-related items will weigh on core inflation, which will remain in a downturn."

The stubbornly weak inflation and overseas headwinds are piling pressure on the Bank of Japan to ramp up an already massive stimulus program to forestall risks of a delay in hitting its elusive 2 percent inflation target.

The central bank will scrutinize the inflation data and other key indicators at its next rate-setting meeting on Oct. 30-31, when it conducts a quarterly review of its growth and price projections.

At its policy meeting last week, the BOJ signaled its readiness to expand stimulus as early as next month by issuing a strong warning about risks that threaten Japan's export-reliant economy.

But with interest rates at zero and companies wary about boosting

spending amid growing uncertainty and risks, many analysts are skeptical that topping up monetary stimulus could accelerate inflation.

The so-called core-core CPI in Tokyo, which strips away the effects of both energy and fresh food prices, rose 0.6 percent in September, slowing from a 0.7 percent gain in August, the data showed.

Tokyo's overall CPI rose 0.4 percent in September from a year earlier, after 0.6 percent growth in the previous month.

Years of heavy money printing have failed to shake off entrenched deflationary mindset among the public and corporations, dashing the hopes of the central bank that aggressive stimulus will put an end to deflation.

Under its current forecasts issued in July, the BOJ expects core consumer inflation to hit 1.0 percent in the current fiscal year ending in March 2020 and fall short of its 2 percent target for the following two years.



Jamaluddin Ahmed, chairman of Janata Bank, and Md Abdus Salam Azad, CEO, attend the bank's branch managers' conference for its Rajshahi division in the city on Friday.

Libra launch could be delayed over regulatory concerns: executive

REUTERS, Geneva

The launch of Facebook's Libra could be pushed back to tackle the regulatory concerns that have been raised around the world, the head of the organization set up to oversee the cryptocurrency told Reuters.

Three months ago, Facebook announced plans to launch the digital currency in June 2020, in partnership with other members of the Libra Association set up by the US tech giant to manage the project.

However the attempt to drag cryptocurrencies into the mainstream has since met with regulatory and political skepticism globally, with France and Germany pledging to block Libra from operating in Europe.

Bertrand Perez, managing director of the Geneva-based Libra Association, said discussions were continuing with

regulators from Europe and elsewhere to assuage concerns.

"When we (made) the announcement in June, that was our North Star," Perez said of the June 2020 launch date, adding that a delay of one or two quarters would not be an issue.

"What is important is that we need to comply with the regulators and we need to make sure that they are on board with us and fully comfortable with our solutions."

"We knew that we would have to answer lots of questions coming from regulators on both sides of the Atlantic, and from other parts of the world," he added in an interview at the United Nations offices in Geneva.

Libra, announced as Facebook expands into e-commerce, will be backed by a reserve of real-world assets, including bank deposits and short-term government securities,

and overseen by the 28-member association.

The structure is intended to foster and stabilize the price volatility that plagues cryptocurrencies and renders them impractical for commerce and payments.

Last week David Marcus, the executive leading the project at Facebook, said the company still aimed to launch the digital currency in 2020.

"The goal is still to launch Libra next year," he told Swiss newspaper NZZ. "Until then, we'll need to address all questions adequately, create a suitable regulatory environment."

The association has thus far taken a backseat to Facebook in visibility on the project, but Perez stressed it was independent of the social media giant, which will have an equal vote as other members in the association's decision-making.



ZM Ahmed Prince, head of business development and marketing (Sector-A) at Bashundhara LP Gas, and M Khorshed Anwar, head of retail and SME banking at Eastern Bank Ltd, attend a deal signing ceremony at the latter's office in Dhaka on Thursday. Distributors and dealers of Bashundhara LP Gas will get business-to-business payment solution of the bank.



M Fakhrul Alam, managing director of One Bank, and Syed Aminul Kabir, CEO of May International Trade Services Ltd, a financial consultancy company, exchange the signed documents of a deal for obtaining of credit reports against international trade business.

China's industrial profits fall as headwinds hit firms

REUTERS, Beijing

Profits at China's industrial firms contracted in August, reversing the previous month's brief gain, as weak domestic demand and the trade war with the United States weighed on corporate balance sheets.

Industrial profits fell 2 percent in August from a year earlier to 517.8 billion yuan (\$72.59 billion), data released by the National Bureau of Statistics (NBS) on Friday showed. That compared with a 2.6 percent gain in July.

Profits have slowed since the second half of 2018, despite some transitory rebounds, with falling factory-gate prices threatening to further knock profits as economic growth skidded to a near 30-year low.

As a result, policymakers are widely expected to unveil more support measures to boost a slowing economy amid sluggish consumption, rising export pressure and faltering domestic demand.

The decline in profits was in line with grim manufacturing readings in August with industrial production growth falling to its weakest in 17-1/2 years while exports also tumbled.

"Given strong growth headwinds and elevated US-China trade tensions, we expect the economy to worsen before getting better and believe Beijing will likely ramp up its policy stimulus," analysts from Nomura said in a note.

Producer prices, one key barometer of domestic demand and indicative of profitability, posted their sharpest fall in three years last month.

For January-August, industrial firms earned profits of 4.02 trillion yuan, down 1.7 percent year-on-year, the same as the reading in the first seven months.

Analysts expect economic growth could cool further this quarter from a near 30-year low of 6.2 percent hit in April-June.

Earlier this month, the People's Bank of China (PBOC) increased support for slowing growth by cutting banks' reserve requirement ratio (RRR) for the third time this year. China also cut a new one-year benchmark lending rate to free up credit to struggling smaller firms.

But analysts say Beijing will need to do more to ward off a steeper slowdown, although the scope for stimulus is limited as policymakers worry about rising debt risks and property bubbles.

Fuel processing industries, chemical fibres and paper manufacturing industries posted some of the steepest declines in profits over the January-August period.

Profit margins in car

manufacturing and non-ferrous sectors improved slightly and the profit declines in telecommunications and electronic equipment manufacturing, which are more vulnerable to US tariffs, narrowed.

A nearly 15-month trade war between the world's two biggest economies has shown no signs of ending. Top US and China trade negotiators are expected to meet in Washington in about two weeks to determine if they can chart a path out of the bruising trade war.

Industrial firms' liabilities increased 5.0 percent from a year earlier to 65.81 trillion yuan at end-August, compared with a 4.9 percent increase in July.

Private sector profits rose 6.5 percent in January-August, slowing from 7.0 percent growth in the first seven months.



A man works on manufacturing LNG equipment at a factory in Lianyungang, China.