Global outlook 'precarious,' no room for policy mistakes: IMF

AFP, *Washington*

The world economy is slowing to its weakest pace since the global financial crisis, amid continuing trade conflicts that have undercut business confidence and investment, the IMF said Tuesday.

It warned that the outlook is beset by risks, and urged policymakers to work to find resolutions to trade disputes, since there are limited tools to respond to a new crisis.

"With a synchronized slowdown and uncertain recovery, the global outlook remains precarious," International Monetary Fund chief economist Gita Gopinath said in her introduction to the latest forecasts.

The IMF for the past year has every three months cut projected growth for 2019 as trade conflicts worsened.

In its latest World Economic Outlook it trimmed the estimate by another two-tenths, to 3.0 percent. The report also lowered the 2020 forecast by a tenth to 3.4 percent.

"At three percent growth, there is no room for policy mistakes and an urgent need for policymakers to cooperatively deescalate trade and geopolitical tensions," Gopinath said.

In addition, the trade conflicts and a slowdown in auto sales worldwide means trade growth has slowed sharply, falling in the first half of the year to its weakest since 2012, with an estimated increase of just 1.1 percent this year after a 3.6 percent jump in 2018.

While the US economy also has been hit by uncertainty -- largely created by President Donald Trump's trade offensive -- the world's largest economy remains a bright spot on the global stage, the report said.

After upgrading its US outlook in July, the latest WEO reversed course, and cutting the US forecast this year to 2.4 percent -- still above trend, but two-tenths below the July forecast.

IMF Chief Economist Gita Gopinath

In 2020, the IMF projects US GDP to expand by 2.1 percent, unchanged from the prior report.

"For the United States, trade related uncertainty has had negative effects on investment, but employment and consumption continue to be robust, buoyed also by policy stimulus," Gopinath said.

Major central banks have taken steps to soften the blow to growth by lowering interest rates, without which the downturn would have been worse, she said. However, she cautioned that monetary policy "cannot be the only game in town" and governments, notably in countries like Germany, should take advantage of low rates to make investments to support growth.

"With central banks having to spend limited ammunition to offset policy mistakes, they may have little left when the economy is in a tougher spot," Gopinath warned.

The US-China trade war alone is estimated to shrink the world economy by 0.8 percent in 2020, the IMF said.

The fund warned that risks to the outlook predominate, and the uncertainty around trade policy -- which causes businesses to hold off on investments and undermines confidence -- will take a larger chunk out of growth than the tariffs themselves

"To forestall such an outcome, policies should decisively aim at defusing trade tensions, reinvigorating multilateral cooperation, and providing timely support to economic activity where needed," the report said.

But trade is not the only reason for the global slowdown: the report notes that in China's economy, for example, growth is moderating as intended amid slowing domestic demand.

Other major economies like Brazil, India, Mexico, Russia and South Africa are slowing this year due to "idiosyncratic reasons" but are expected to recover in 2020.

New MD for Union Capital

STAR BUSINESS DESK

Chowdhury Manzoor Liaquat has recently been appointed managing director and chief executive officer of non-bank financial institution Union Capital Ltd.

He had previously been serving as its additional and acting managing director, according to a statement.

Liaquat started his career as a probationary officer at AB Bank and moved on to serve Bank Asia as senior executive vice president.

He earned his postgraduation degree in international relations from the University of Dhaka.

Alcatel smartphones make Bangladesh debut

STAR BUSINESS DESK

Mobile phone brand Alcatel has recently debuted its latest range of smartphones and features phones in Bangladesh in e-commerce marketplace daraz.com.

With a 3GB RAM and 32GB ROM, smartphone Alcatel 3 costs Tk 12,999 while Alcatel 3, with a 4GB RAM and 64GB ROM, Tk 14,999. The devices will be available in the offline market soon, according to a statement.

Grameen Distribution LTD (GDL) has become the authorised distributors for the brand of TCT Mobile International Ltd headquartered in Hong Kong.

"We are very excited about this venture. We are quite confident that their aesthetically eye-catching modern design, technicality, durability and compatibility will be highly praised by the consumers of Bangladesh," said Md Ashraful Hassan, the GDL managing director.

Bharadwaj Pudippedi, director for India region at the TCT, said, "Bangladesh has been a growing market in the mobile industry and we are quite confident that Alcatel will be able to capture the market with its latest technology and global quality."

BKB gets new DMD

STAR BUSINESS DESK

Shirin Akhter has recently joined Bangladesh Krishi Bank (BKB) as a deputy managing director (DMD). She was previously the general manager of Agrani Bank, according to a statement.

Akhter started her banking career in Agrani Bank as a senior officer in 1988 on obtaining her graduate and postgraduate degrees in political science from the University of Dhaka.

Keep up with robotic revolution

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And even sometimes people don't feel that they are taking service from robots, which also help grow economies, said Prof Lafifa Jamal, chairperson of the robotics and mechatronics engineering department at the University of Dhaka.

Lafifa, also the president of Bangladesh Robot Olympiad, said in Japan robots were now taking classes. South Korea is using robots to run the ground handling of airports.

In her presentation, Lafifa said by 2035 artificial intelligence would help double the economic growth rate in 12 developed countries and boost labour productivity by up to 40 percent.

From Bangladesh's context, she said a lack of research funding and research infrastructure was the main challenge. "We have human resources and we need to nurse and use them efficiently in order to match the developed countries."

Hriteshwar Talukder, a lecturer of the electrical and electronic engineering department at the Shahjalal University of Science & Technology, said they were now in the planning stage to develop a special robot that could be used in rice harvesting.

Huge labour crisis is noticed in Sylhet region every year during harvest season and that's why a team from the SUST is now working on the issue.

"But again there is funding shortage. Laboratory facilities are also a challenge here as well."

Nabarun Bhattacharyya, senior director and central head at the Centre for Development of Advanced Computing in Kolkata, said third world countries should give emphasis on using robots and automation in education, health and agriculture as they boost productivity.

Prof Muhammad Alamgir, a member of University Grants Commission, Md Abul Kashem Mia, a professor of the computer science and engineering at Buet, Waiz Rahim, chief executive officer of Deligram, and Quazi Mustahid Labib, who won a gold medal at the International Robot Olympiad, also spoke.

A good number of universities are taking part in the exposition and demonstrating their robotic innovation that can respond promptly, chat in Bangla, move fast and have lots of industrial applications using artificial intelligence.

London retains global finance throne amid Brexit chaos

REUTERS, *London*

From the pinnacle of the City of London's largest skyscraper, Stuart Lipton is wagering a $1.2 billion bet that the British capital remains a master of the international financial universe no matter what happens with Brexit.

The 76-year-old property developer is not alone. Bankrolled by a host of global investors, including France's Axa, his big-ticket gamble in London's financial district is - so far - on the money.

The cataclysmic warnings during the 2016 referendum that London would lose its financial throne if it voted to leave the European Union (EU) have, so far, been proven wrong. London is still the world's banker, only bigger by some measures.

"London is extraordinarily resilient and its future as a finance centre is secure because what we have here is unique," Lipton told Reuters on the 61st floor of 22 Bishopsgate, set to become western Europe's second tallest skyscraper when it opens next year.

In the year to June, London has attracted more cross border commercial real estate investment than any other city. It has overtaken New York as destination for fintech investment and it has increased its dominance of the world's $6.6 trillion daily foreign exchange market.

Since the vote to leave the EU, Britain has leapfrogged the United States to become the largest centre for trading interest rate swaps, despite calls by ex-French President Francois Hollande to end London's dominance in clearing euro-denominated derivatives.

That London has expanded its influence as an international finance centre is one of the biggest riddles of the United Kingdom's tortuous three year Brexit crisis.

The city's standing ensures the United Kingdom keeps one of its last big chips at the top table of world politics just as it splits from the EU.

It also means EU companies will still come to London to raise finance outside the bloc after Brexit, a fact not lost on Wall Street heavyweights such as Goldman Sachs and JP Morgan.

Just a mile away from 22 Bishopsgate, Goldman opened its new 1 million square foot European headquarters - complete with mothers' rooms and wildflowers on the roof - in July, three years on from the 2016 referendum.

Largely abandoned by the British government during Brexit talks, ten senior industry officials told Reuters London's financial services sector has grown since 2016 because there is no realistic competitor in its time zone.

And high-rolling bankers are too attached to its Anglo-Saxon, work-hard, play-hard culture.

The chief executive of the British division of one of Europe's largest banks said although some business will move to the EU, most senior bankers will be reluctant to leave London. He would consider taking a 20 percent pay cut to remain in the city.

"If you are an Italian banker, who moved out to London 20 years ago, and your kids go to private school around the corner then you are not going to move to Frankfurt," he said. A global hub for trading, lending and investing, London is the largest net exporter of financial services in the world, with the EU accounting for a quarter of the business.

REUTERS/FILE

A general view of London is seen from the construction site of 22 Bishopsgate.

The 2016 referendum shocked many of the masters of London's financial universe, triggering the biggest one-day fall of the pound since the era of free-floating exchange rates was introduced in the early 1970s.

But so far, most major financial institutions have opted against moving large numbers of people and activities until the loss of access to the EU's lucrative single market is confirmed.

Banks, insurers and asset managers have shifted over a trillion euros of assets such as derivatives and bonds from London to the continent and opened new EU hubs as a hedge against London suddenly being cut off from the bloc if Britain exits the EU without a formal agreement.

The Bank of England estimates around 4,000 people may have moved by the time Britain has exited the EU. But the key decisions are still taken in London.

Reuters contacted JP Morgan and Goldman, and rivals Citi, Bank of America, UBS, Morgan Stanley, Credit Suisse and Deutsche Bank, to seek details on how a 'no deal Brexit' might accelerate the transfer of resources and activities from London.

All banks said they were prepared for a no-deal Brexit, and had been since the first quarter.

Earlier this year, Morgan Stanley's chief executive, James Gorman, said that he scarcely worried about Brexit.

"That's not in my top 200 issues," he said.

British data shows the total number of people employed in the City between 2016 and 2018 overall rose by 31,000, though the total number of people employed specifically in banking and insurance is down 3,000 over the period.

Hyundai Motor Group unveils $35b investment plan

REUTERS, *Seoul*

Hyundai Motor Group said it plans to invest 41 trillion won ($35 billion) in mobility and other auto technologies by 2025, part of which will be directed to an ambitious effort to become more competitive in self-driving cars that has also received government backing.

The plan, which Hyundai said encompasses autonomous, connected and electric cars as well as technology for ride-sharing, comes after the automaker and two of its affiliates announced an investment of $1.6 billion in a venture with US self-driving tech firm Aptiv.

South Korea's government is also onboard, unveiling more funding for autonomous vehicle technology with President Moon Jae-in declaring on Tuesday that he expected self-driving cars to account for half of new cars on the country's roads by 2030.

"The self-driving market is a golden market to revitalize the economy and create new jobs," Moon said in a speech at Hyundai Motor's research center near Seoul.

The government intends to spend 1.7 trillion won between 2021 and 2027 on self-driving technology. It expects Hyundai to launch level 4, or fully autonomous, cars for fleet customers in 2024 and for the general public by 2027, an industry ministry official told Reuters.

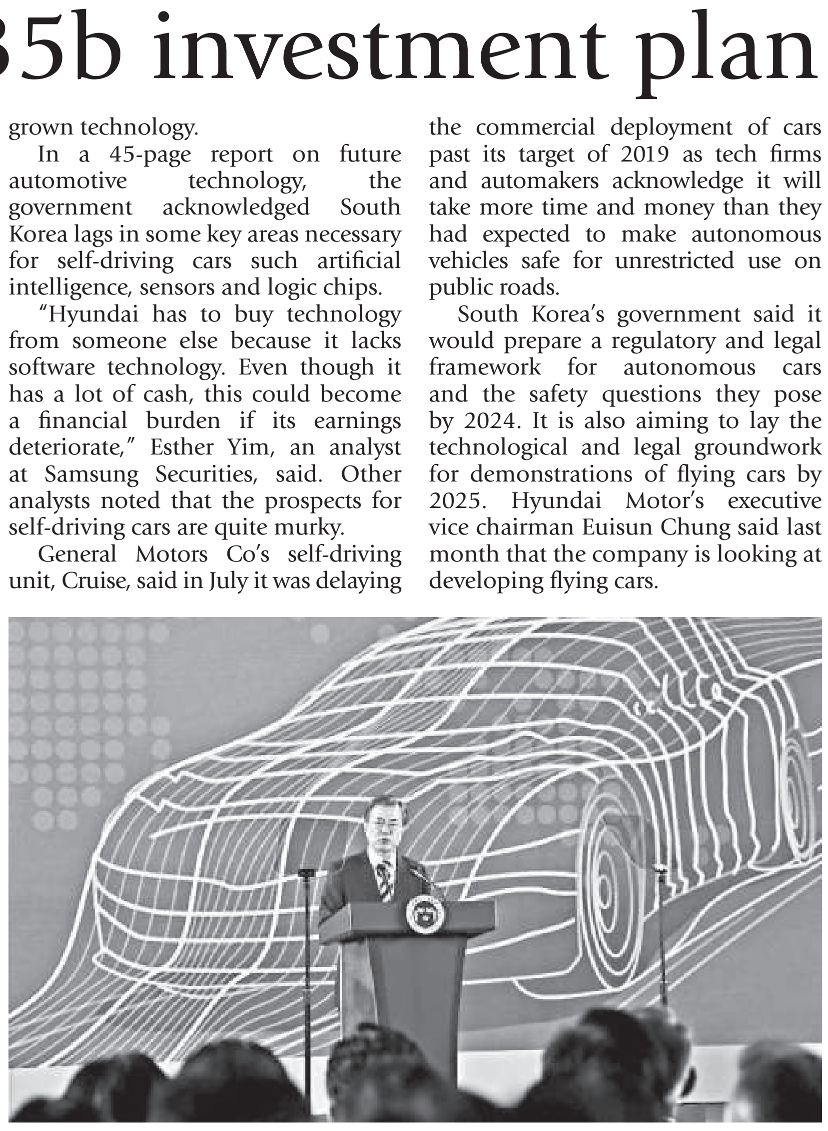
But some experts question whether targets set by the government and the automotive group, which also includes Kia Motors Corp, are realistic given the technological and cost challenges and the lack of home-grown technology.

In a 45-page report on future automotive technology, the government acknowledged South Korea lags in some key areas necessary for self-driving cars such artificial intelligence, sensors and logic chips.

"Hyundai has to buy technology from someone else because it lacks software technology. Even though it has a lot of cash, this could become a financial burden if its earnings deteriorate," Esther Yim, an analyst at Samsung Securities, said. Other analysts noted that the prospects for self-driving cars are quite murky.

General Motors Co's self-driving unit, Cruise, said in July it was delaying the commercial deployment of cars past its target of 2019 as tech firms and automakers acknowledge it will take more time and money than they had expected to make autonomous vehicles safe for unrestricted use on public roads.

South Korea's government said it would prepare a regulatory and legal framework for autonomous cars and the safety questions they pose by 2024. It is also aiming to lay the technological and legal groundwork for demonstrations of flying cars by 2025. Hyundai Motor's executive vice chairman Euisun Chung said last month that the company is looking at developing flying cars.



REUTERS/FILE

South Korean President Moon Jae-in delivers his speech during a ceremony declaring the country's vision to lead future mobility tech at Hyundai Motor's Namyang R&D Center in Hwaseong, South Korea yesterday.

Electrical products' market growing fast

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Local manufacturers, however, are facing unhealthy competition from non-branded imported products, he said, adding that his company produces home wiring accessories, light-emitting diode (LED) bulbs and tube lights and ceiling fan.

Despite a rise in the purchasing power, a large group of people still prefer using the substandard and low-priced goods available in the market, Aktar said.

"But customers should go for buying quality products for the sake of safety."

RFL Electronics started its operation in 2012 and it currently meets about 10 percent of the total demand for electrical products and its annual growth is around 15 percent, Kamal said.

Now, RFL manufactures cables, switches, fan, LED bulb, circuit breakers and electrical accessories under four brands, namely Click, Bizli, Proton and Vision, he said.

Walton began manufacturing electric accessories and appliances in 2016 and within three years, it captured around 15 percent of the market share, said Augustin Sujan, deputy director of the company.

The company has set a target to double the market share by next year and hopes to be the market leader in the segment in the coming years, he said.

Other noted manufacturers of electrical products are Super Star Group, MEP Group and ACI.

DSEX depressed despite soaring profits of firms

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The index was buoyant for about three months towards the end of 2017 when it hit 6,336 points.

Some bad news of default loans and scams in banks and non-bank financial institutions dented investors' confidence, so the stocks plummeted and the index was negatively influenced even though the profit of the two sectors is rising, said Musa, a former dean of the school of business and economics of the United International University.

Though the listed companies' earnings rose, many companies provided stock dividend and right shares during the period.

"This caused the fall of the share prices too," Musa added.

Bangladesh's stock market is retail investor-driven and they invest mostly for capital gains without any careful analysis, said a stock broker requesting anonymity.

"So, the index does not depict the real scenario of the economy and listed companies' profitability. I see a huge mismatch in many stock prices due to a lack of analysis-based investment," said the broker, who was a former president of the DSE.

Take, for instance, the case of Monno Jute Stafflers, whose price is now more than Tk 1,500 even though its price-to-earnings ratio is upwards of 200.

"Yet, more investors rushed to have the stock, whereas many well-performing stocks are declining but they have no interest on them," the broker said.

Investors flocking towards Stylecraft, National Tubes, Monno Ceramics, Legacy Footwear and many other poorly performing stocks raised questions of the investors' analytical ability, he said.

Such mismatch is frequent in the market, so the index is declining even after the listed companies' earnings are rising.

Sanofi to leave Bangladesh, confirms MD

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Mazumder's disclosure puts to bed all rumours.

"However, Sanofi will be sold out with the employment guarantee clause so that some 1,100 employees need not lose their jobs," he said, adding that Sanofi's products will also be in the market with the same quality as of now.

Sanofi's share in the country's pharma market is below 2 percent and its ranking is 17th among the local medicine manufacturers.

"The intent to leave Bangladesh is a global decision and has nothing to do with the local atmosphere. We have little choice here although Sanofi has been making profit since its establishment at Tongi in 1958," Mazumder said.

Last year, Sanofi Bangladesh logged in profits of Tk 42.12 crore, up 13.62 percent year-on-year, company documents show.

Its turnover increased 5 percent to 7 percent year-on-year over the last few years, according to Mazumder.

Sanofi's exit though is a massive blow to the government at a time when it is earnestly looking to attract foreign direct investment.