Islami Bank holds finale of remittance campaign

STAR BUSINESS DESK

Islami Bank Bangladesh has organised a grand finale for its remittance campaign.

Mohammed Monirul Moula, managing director and CEO of the bank, attended the programme as chief guest at the Islami Bank Tower on Monday, said a press release.

From the beginning of the campaign, the bank organised a raffle draw on every banking day among those who sent remittance through Instant Cash FZE to Islami Bank.

Mega winner of the campaign, Abdus Sukkur, a client of Court Bazar branch, received a special prize of Dhaka-Cox's Bazar-Dhaka flight ticket and a 3-day and 2-night luxury hotel vacation with his three-member family.

PHOTO: ISLAMI BANK BANGLADESH

Mohammed Monirul Moula, managing director and CEO of Islami Bank Bangladesh, attends the closing ceremony of a grand finale of the remittance campaign at the Islami Bank Tower in Dhaka on Monday.

PHOTO: SHAKTI FOUNDATION

Md Fashiullah, executive vice-chairman of Microcredit Regulatory Authority, Humaira Islam, founder and executive director of Shakti Foundation, and Ali Reza Iftekhar, managing director and CEO of Eastern Bank, along with representatives from participating banks and non-bank financial institutions pose for photographs at the deal closing ceremony of Tk 300 crore (with an option to increase up to Tk 500 crore) syndicated term loan facility for Shakti Foundation, at the Sheraton Dhaka in Banani on Monday. **Story on B4**

German business activity slumps

REUTERS, *Berlin*

Business activity in Germany contracted for a fourth straight month in October as manufacturing's downturn was matched by a renewed decline in services, a preliminary survey showed on Tuesday, suggesting a recession is well underway.

The HCOB German Flash Composite Purchasing Managers' Index (PMI), compiled by S&P Global, fell to 45.8 in October from September's 46.4, below the 46.7 forecast by economists.

A reading below the 50 level points to a contraction in business activity.

The composite PMI index tracks the services and manufacturing sectors that together account for more than two-thirds of the German economy, Europe's biggest.

China to choose fiscal muscle over big reforms

REUTERS, *Beijing*

China is set to unleash fresh fiscal stimulus to shore up its economic recovery, drawing on a well-used playbook that relies heavily on debt and state spending but falls short on the deeper reforms called for by a growing number of analysts.

Some government advisers are recommending China lifts its 2024 budget deficit target beyond the 3% of gross domestic product (GDP) set for this year, which would allow Beijing to issue more bonds to revive the economy, policy insiders and economists have told Reuters.

The world's second-largest economy grew faster than expected in the third quarter, improving the chances Beijing can meet its growth target of around 5 percent for 2023.

But while the upbeat surprise gave battered China investors some cause for cheer, there are deeper concerns about the continued demise of private sector activity and the lack of longer-term reforms needed to shift the economy to consumer-led growth.

For now, the focus remains on sustaining a fragile recovery to avoid economic disaster.

"We need to make good preparations for next year and implement policies to stabilise growth. The foundation of economic recovery is not solid," said an adviser to the cabinet who spoke on condition of anonymity.

China's parliament is set to approve just over 1 trillion yuan ($137 billion) in additional sovereign debt issuance, sources told Reuters

"For next year, we should still set a 5 percent GDP growth target."

China's parliament is set to approve just over 1 trillion yuan ($137 billion) in additional sovereign debt issuance when it concludes a five-day meeting that began on October 20, sources told Reuters.

Such bonds will likely be used to fund water conservancy and flood prevention projects and come on top of an expected front-loading of 2024 local bond quotas.

China's feeble post-pandemic recovery has exposed growing structural constraints and raised a sense of urgency around reforms to put growth on a more sustainable footing.

The debate about economic policy in China has heated up in recent months with some government advisers advocating reforms to help unleash new growth engines beyond property and infrastructure investment.

For those looking for structural reforms, the focus is on policies that spur urbanisation and household spending power, reduce the reliance on investment and level the playing field between state-owned enterprises and private firms.

Without such changes, economists warn China could be headed for a long period of deflation and stagnant growth that fails to lift living standards for the country's 1.4 billion people.

However, near-term needs have largely overshadowed those calls for more politically ambitious reforms and instead centre on authorities stepping up fiscal and monetary support.

Mideast crisis, weak growth weigh on Asian markets

AFP, *Hong Kong*

Asian markets recovered ground on Tuesday with traders weighed down by unpredictability over the ongoing crisis in the Middle East and key earnings and economic data releases expected later in the week.

Volatile US Treasury yields had affected Monday trading on Wall Street where some indexes rebounded after a sluggish start but the S&P 500 suffered its lowest close since May.

That uncertainty transferred to the Asian trading day with both Hong Kong and Tokyo trading down before the Nikkei 225 staged a late recovery at the close while the Hang Seng Index continued slumping.

The rising bond yield has increased worries that Federal Reserve interest rates will stay higher for longer, denting the growth outlook.

"The rise of the 10-year US bond yield and worries that the Middle East situation may deteriorate continued to weigh on the Tokyo market," Nomura Securities said.

After shares fell for the better part of the day, late bargain-hunting saw Tokyo end in the green. Seoul, Taipei, Jakarta, Singapore and Sydney also found themselves in positive territory.

But these concerns, as well as an upcoming report on third-quarter US growth and September personal income and spending that includes key inflation data, weighed on Hong Kong, which ended down 1.1 percent.

"The current economic environment presents a confusing backdrop, making it incredibly challenging to make a definitive equity market trading assessment," said Stephen Innes of SPI Asset Management.

"Geopolitical concerns and a weaker growth outlook are seemingly weighing more heavily on equities."

The yield on the 10-year US Treasury note had topped five percent for the first time in 16 years on Monday but moved lower later in the day.

Shanghai traded higher throughout the day to recover from its worst start to the week in months on Monday after China's sovereign wealth fund purchased exchange-traded funds to boost the country's diving stock markets.

"Authorities are making it a rule to step on the brakes whenever there looks like there's overwhelming downward momentum," Raymond Chen, fund manager at Zizhou Investment Asset Management, told Bloomberg.

"This does help somewhat ease the panic, assuring investors that the nation will continue offering support if it drops further."

Europe's major bourses opened largely flat, with London starting just off while Paris and Frankfurt nudged into the green before retreating.

The war in Gaza had also hammered oil prices on Monday after major gains last week but crude was once again higher in Asian trade. "Geopolitical risks have led to divergent movements in commodity markets," Innes said.

"While geopolitical tensions have contributed to a rising geopolitical risk premium for oil, no physical oil supply disruptions have occurred, taking some of the heat out of the rally."

While markets see-sawed, bitcoin crossed $35,000 for the first time since May last year.

Innes said the surge was caused by "growing exhilaration among investors regarding the potential approval of a bitcoin exchange-traded fund".

What landing? Global economy's twin engines rev up

REUTERS, *Orlando, Florida*

The 2024 consensus world economic and market view is shaping up to be a repeat of this year's: weaker growth and probable US recession, leading to a strong bond rally as interest rates are cut, and fragile stock markets as weak demand squeezes earnings.

It was wrong this year, and the latest economic indications from the United States - and to a lesser, but notable extent, China - suggest it could be off-beam next year too.

Rather than steering toward a hard or soft landing, the world's two most powerful economic engines appear to be revving up or going through the gears. If US and Chinese growth holds up, the investment landscape will need to be redrawn too.

One major hurdle, of course, is the whoosh higher in US bond yields. The longer it continues, the higher that hurdle gets, and the more likely it is the gloomy scenario plays out.

But what if peak bond bearishness is already upon us?

The incoming US data offers food for thought. Retail sales smashed expectations in September, triggering a wave of upward revisions to GDP forecasts, and the labor market continues to run hot too.

The Atlanta Fed's GDP Nowcast model is forecasting 5.4 percent annualised real growth in the third quarter, indicating sizzling annualized nominal growth of more than 8 percent. That's despite the warning flags from mounting public and private debt that needs to be serviced by decades-high borrowing costs.

Official figures from Beijing on Wednesday, meanwhile, showed the Chinese economy grew at a 4.9 percent annual rate in the third quarter, much stronger than the 4.4 percent consensus estimate.

Chinese and US flags flutter outside the building of an American company in Beijing.

PHOTO: REUTERS/FILE

There are reasons to be skeptical of the data from Beijing. As Societe Generale's Albert Edwards points out, once the quarterly deflator is factored in, nominal GDP growth in the third quarter was actually only 3.5 percent.

Still, several economists immediately raised their 2023 growth outlook above Beijing's 5.0 percent goal. Accelerating momentum into next year will also cast doubt on the recent downwardly-revised 2024 forecasts from the World Bank and International Monetary Fund of 4.4 percent and 4.2 percent, respectively.

Investors' overall perception of the global economy remains downbeat. Bank of America's latest fund manager survey showed that although pessimism ebbed a little in October, the outlook has rarely been gloomier at any point over the past 30 years.

"It is not like we are massively bullish on growth in China, Europe, or the US. But as long as the bar to beat expectations continues to be so low, we find it difficult to justify a turn towards a risk-off stance in our tactical asset allocation," HSBC strategists wrote recently.

RISING R-STAR

Chris Iggo, chief investment officer for core investments at AXA Investment Managers, reflected the consensus view when he wrote on October 13: "Let me be bold though. Next year will be the year of the bond."

After a torrid three years, he and others may be right. But no US recession or significant slowdown, and Chinese growth of around 5 percent, is definitely not the consensus view for 2024 right now, and it's not where financial markets are pricing.

As long as the US economic downturn is delayed, the bond market revival is put on hold. Yields at 5 percent and up across the curve may be attractive in their own right and relative to stocks, but less so if the economy doesn't roll over.

Equally, US stocks look expensive if high yields start to choke the economy. They are trading quite a bit above long-term average valuations, and earnings growth forecasts for the S&P 500 index next year are running at a punchy 12.5 percent.

If growth holds up, however, these calculations shift.

The US economy has defied expectations this year, powering ahead despite 525 basis points of rate hikes in just 16 months. The lagged impact of that tightening has yet to be fully felt, fueling debate about the economy's underlying strength.

Many economists now think "R-star", the amorphous interest rate that neither stimulates or crimps growth, is higher than old models indicate. If so, the economy - and financial assets - can withstand structurally higher policy rates and yields.

The economic challenges - deflation, a property sector crash and high youth unemployment to name but three - are substantial. But the GDP figures suggests the post-Covid lockdown recovery may finally be underway, and Citi's Chinese economic surprises index is now positive for the first time since May.

Bandwidth import

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Mustafa Jabbar, telecom minister, recently said the use of internet bandwidth will shoot up by 600 percent in seven years to 30,000 Gbps as people are ramping up internet use.

Asked about it, he said the education ministry plans to connect educational institutes with the internet as a part of blended education -- integrating online educational materials with physical, location-based classroom techniques.

Asked if Bangladesh would face a bandwidth crunch due to increased usage, he said the capacity increase of existing submarine cables and new government and private cables is enough to supply the necessary bandwidth until 2030.

Bangladesh is a member of the South East Asia-Middle East-Western Europe 4 (SEA-ME-WE 4) consortium, the first undersea cable with which Bangladesh was connected in 2006. It supplies about 800 Gbps bandwidth.

The BSCCL supplies 1,500 Gbps through the SEA-ME-WE 5, for which the connection was established in 2017.

The company is set to receive 13,200 Gbps from the third undersea cable, SEA-ME-WE 6, by 2025.

Also, the BSCCL is going to spend $3.2 million to raise the capacity of its first undersea cable by nearly six times to 4,600 Gbps.

"If a new consortium is built, such as SEA-ME-WE 7 or 8, then we might join it to meet our increasing demand," Jabbar said.

UK labour market

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a falling response rate to the Labour Force Survey (LFS) of households, which usually forms the basis of Britain's job market statistics.

Under the previous methodology, the unemployment rate had been reported as 4.3 percent for the three months to July rather than 4.2 percent.

Still, the new data showed more slack in the labour market than the BoE had predicted in August, when it forecast an unemployment rate of 4.1 percent for the third quarter as a whole.

"We doubt that the new statistics will prompt the (BoE) to resume its tightening cycle at its meeting next month," said Thomas Pugh, economist at accountants RSM.

A Reuters poll of economists published on Tuesday showed a large majority of economists think the BoE will hold its Bank Rate at 5.25 percent on November 2.

However, officials at the central bank remain worried that a strong pace of wage growth might entrench inflationary pressures in the economy.

Data published by the ONS last week showed average earnings, excluding bonuses, were 7.8 percent higher during the three months to August than a year earlier, the first such fall in the pace of growth since January but barely down from a record 7.9 percent in the three months to July.

"It is probably only a matter of time before the recent loosening of the labour market feeds through into significantly slower wage growth," Pugh said.

Financial markets showed little immediate reaction to Tuesday's data.

The latest ONS estimate showed employment fell by 133,000 in the three months to July, compared with 207,000 in its previous estimate.

The ONS said the new methodology included using jobs data collected by Britain's tax office over a three-month period and changes to welfare claims as a proxy for measuring unemployment, also over three months, on top of the LFS survey findings.