Trade war hits eurozone growth: Markit survey

● Data monitoring company IHS Markit warned that export growth was "evaporating" in the 19-country single currency bloc

Brussels, Belgium

Growth in the eurozone economy lost steam in September as European factories saw diminished demand amid Brexit tremors and the effects of a multi-front Trump trade war, a key survey showed yesterday.

Data monitoring company IHS Markit warned that export growth was "evaporating" in the 19-country single currency bloc, even though powerhouses Germany and France continued to outperform.

The purchasing managers' index (PMI) by IHS Markit fell to 54.2 in September, which was lower than forecasts by analysts. A figure over 50 indicates the economy is expanding.

"A near stagnation of exports contributed to one of the worst months for the eurozone economy for almost two years," said Chris Williamson, Chief Business Economist at IHS Markit.

Chris Williamson, Chief Business Economist at IHS Markit (Courtesy of BBC)

"Trade wars, Brexit, waning global demand (notably in the auto industry)... and rising political uncertainty both within the Eurozone and further afield all fuelled the slowdown in business activity," he said.

Markit said the slowdown was driven by the manufacturing sector as new export orders failed to grow for the first time since June 2013.

The "softening" in the PMI "adds to evidence that the region's economy has lost some momentum after 2017's very strong expansion," said Jessica Hinds of Capital Economics.

Still, "as the index is still consistent with a decent pace of growth, the European Central Bank is unlikely to change its plans to normalise policy very gradually," she added.

This referred to the crisis-fighting stimulus programme that the Frankfurt-based central bank is due to scale back until ending it outright in December.

The dimmer outlook lines up with the bleaker outlook of the ECB which slightly lowered its growth forecast for the eurozone for this year and 2019.

Amid the trade tensions as well as concerns about emerging markets, the bank now expects growth of 2.0 per cent in 2018 and 1.8pc in 2019.

May says EU response to Brexit plan 'unacceptable'

London, United Kingdom

British Prime Minister Theresa May said yesterday the European Union's abrupt dismissal this week of her Brexit plan was unacceptable, as she conceded negotiations were "at an impasse".

Britain's Prime Minister Theresa May

"It is not acceptable to simply reject the other side's proposal without a detailed explanation and counter-proposals," May said in a televised statement from Downing Street.

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>
> THERESA MAY

"We now need to hear from the EU what the real issues are and what their alternative is so that we can discuss them.

"Until we do, we cannot make progress."

European leaders refused to give ground to May at a summit in Salzburg on Thursday, warning that her proposals for future economic ties based on a UK-EU free-trade area only for goods would "not work".

They also put on ice a special summit suggested for mid-November to seal a deal, saying it would only happen if there was real progress at the next EU gathering in October.

May said Friday that Britain would set out alternative plans dealing with the thorny issue of the Irish border, "that preserves the integrity of the UK".

"In the meantime, we must and will continue the work of preparing ourselves for no deal".

The British pound, already down Friday against the dollar and the euro, fell sharply following May's comments.

€200 bn money laundering scandal

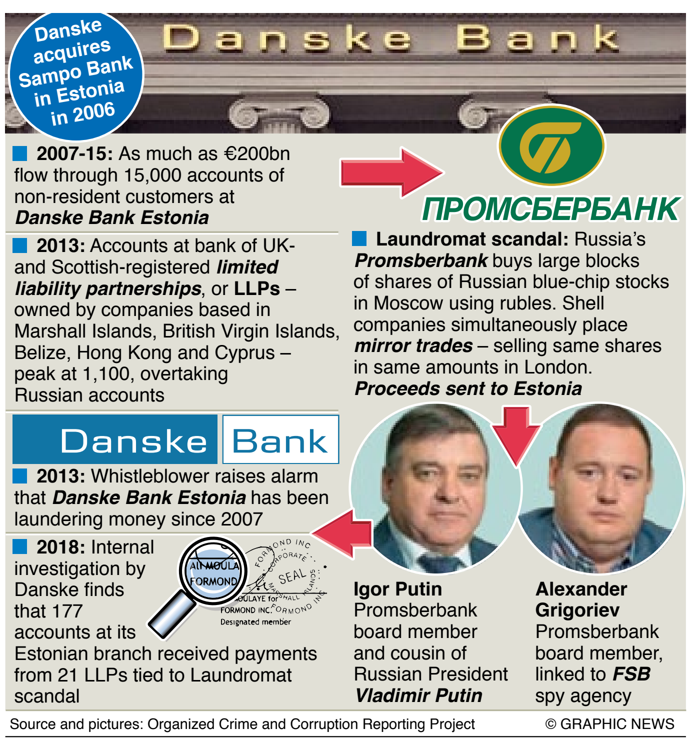
Shell companies, mostly registered in London, are being investigated over the laundering of €200 billion of Russian criminal funds through the Estonian branch of Denmark's largest bank.

As long ago as 2013 a whistleblower warned the management of Danske Bank that family members of Russian President Vladimir Putin and Russia's FSB spy agency were using its Estonian bank branch for money laundering, in the so-called Laundromat scandal.

The story, broken by Denmark's Berlingske daily, claims the leaked internal report indicated that the Danske Bank leadership knew "of far more serious conditions than previously stated."

Now, the UK's National Crime Agency (NCA) has opened a criminal investigation into a London-registered company with links to the Danske Bank branch at the centre of a €200bn money-laundering scandal.

The NCA's is investigating a limited liability partnership, or LLP believed to be Lantana Trade LLP. The owners of Lantana are suspected to be Russians with their identities hidden behind a series of foreign shell companies based in the Marshall Islands. Lantana is just one of 21 LLPs tied to the Laundromat scandal.



Source and pictures: Organized Crime and Corruption Reporting Project © GRAPHIC NEWS

An internal investigation by Danske has found that as much as €200bn flowed through 15,000 non-resident customers' accounts between 2007 and 2015. Of these, there were 1,100 British-based accounts at Danske's Estonian branch in 2013, more than Russian-owned accounts.

Danske Bank told The Associated Press it had carried out "a thorough investigation to get to the bottom of the events at that time in our Estonian branch," adding it had no comments "until the investigation has (been) finalised."

Tech sector prompts shakeup in S&P 500 indexes

New York, United States

The hot and rapidly changing tech sector has prompted the S&P 500 stock index to reshuffle its components, opening up more chances to invest in *Google*, *Netflix*, *Facebook* and other stars after yesterday's trading session.

Facebook did not yet exist and flip phones were cutting edge in 1999 when the industry classification system was launched, but much has changed in tech, telecommunications and media.

The reorganization of the industry groupings, the biggest in the history of the system, affects three of the 11 sectors within the S&P 500.

A new "communication services" group has been created that will be bigger and more growth-oriented than the sleepy "telecommunication services" sector it is replacing.

The change will split some the five "FAANG" behemoths associated with the stock market's surge into different groups, allowing investors to have more exposure to the companies.

The shift comes only weeks after *Apple* and *Amazon* eclipsed $1 trillion in market capitalization and shows again how technology companies are moving into ever-expanding economic terrain.

"The ways in which people communicate and seek information have transformed," S&P Dow Jones Indices said.

> In all 24 companies in the S&P 500 are being shifted, with the top 15 having a total market capitalization of about $2 trillion, according to S&P Dow Jones Indices.

"Integration between telecommunications, media, and internet companies in terms of both infrastructure and content have advanced the communication industry into a much broader field as evidenced by the convergence between telecom and cable companies."

The rejiggering of the groups will lead to a shifting of billions of dollars of shares in these companies, especially through exchange-traded funds that are linked to S&P sectors.

While analysts do not expect a pickup in volatility because the move was announced last year, further investment in technology is likely because there will now be two groups heavily weighted to the sector instead of one.

"Because some portfolio managers might have a restriction on how much they can go in, if they want more exposure on the technology, this will be one way to do it," said Quincy Krosby, chief market strategist at Prudential Financial.

The change will leave Apple as the only "FAANG" member in the "information technology" group.

Facebook and Google -- through its parent Alphabet -- were shifted to the new communication services group from information technology, while Netflix, another FAANG member, was moved into the new group from the consumer discretionary sector.

The fifth FAANG member, Amazon, will remain in the consumer discretionary group.

Other prominent companies moved into communication services include Disney, Comcast, Twenty-First Century Fox, eBay, Twitter and CBS.

Canada inflation 2.8pc in August

Ottawa, Canada | AFP

Canadians paid 2.8 per cent more for goods and services in August than a year earlier, with prices rising across the board, official data released yesterday showed. Inflation was only a tick higher than analysts had forecast, after the consumer price index soared to 3.0pc the previous month.

Statistics Canada said the price of gasoline -- the main contributor -- was up nearly 20pc year over year.

Water, electricity and other fuels, as well as travel tours and airline tickets, and passenger vehicles also cost more in the month, the government statistical agency said. But most prices rose at a slower pace than in July.

Economists expect the Bank of Canada to hike its key lending rate in October in order to temper inflation as the economy hovers at near capacity. But the central bank has wavered due to uncertainty over the future of a crucial continental trade pact with the United States and Mexico. The bank increased interest rates in July by 25 basis points, after a previous hike in January -- bringing rates to the highest level in a decade.

S.Africa unveils raft of reforms to revive economy

Pretoria, South Africa

President Cyril Ramaphosa yesterday unveiled a raft of measures as part of an economic stimulus plan to boost investor confidence after South Africa entered a recession in the second quarter of this year.

The plan includes infrastructure investment and easing of visa requirements in a bid to create jobs in the lucrative tourism sector, which accounts for 10pc of the economy.

"The measures we are announcing give priority to those areas of economic activity that will have the greatest impact on youth, women as well as small businesses," Ramaphosa said in his offices in the capital, Pretoria.

South Africa's economy tipped into recession as it shrunk 0.7 per cent in the second quarter, dealing a blow to Ramaphosa who came to office in February.

He faces elections in 2019 and has been on a drive to attract foreign investment and tackle soaring unemployment, which currently stands at about 28pc.

His five-point plan centres around re-allocating 50 billion rand ($3.5 billion) of public spending to kickstart economic activity and create jobs.

Priority investment areas include agriculture, small businesses in the townships and the rural areas.

"Our government has limited budget fiscal space to increase spending or borrowing, it is imperative that we make sure that the resources that we do have are used to the greatest effect," he said.