Hong Kong abandons bid for LSE

Hong Kong's bourse on Tuesday dropped its unsolicited $39 billion bid for London Stock Exchange Group (LSE), Reuters wrote.

Southeast Asia's net economy to top $100b this year

Southeast Asia's Internet economy is on track to exceed $100 billion this year before tripling by 2025, becoming one of the world's fastest-growing arenas for online commerce thanks to a youthful population increasingly comfortable with smartphones.

The value of online transactions in areas from Internet retail to car-hailing should reach $300 billion by 2025, fueled by an existing population of 360 million online users, according to a research report by Google, Temasek Holdings and Bain & Co., the Economic Times wrote.

The region, home to ride-hailing Grab and Alibaba Group Holding's ecommerce site Lazada, includes four countries — Thailand, Philippines, Indonesia and Malaysia — in the top 10 globally in terms of time spent by users online, the study showed.

Indonesia, the world's fourth most-populous country with 264 million people, will anchor a region that also includes Singapore and Vietnam.

The annual report, previously helmed by Google and Temasek, measures gross merchandise value in e-commerce, ride-hailing, online media and online travel and has become a prime reference for the region's Internet industry.

Bain joined as a lead partner this year and the study encompassed digital financial services for the first time.

HONG MENEA

German factories feed unexpected rebound in industrial output

A jump in manufacturing fueled a surprise improvement in German industrial production following two months of decline. While good news, the development will do little to alleviate concerns about intensifying trade tensions and waning business confidence, Bloomberg reported.

Output rose 0.3 percent from July, despite a big drop in energy, compared with economist estimates for no change. The outlook for Europe's largest economy remains uncertain, with production down four percent on the year and shrinking factory orders signaling that no real turning point is in sight.

The euro slightly extended its gain against the dollar after the report, and was up 0.1 percent to $1.0982 as of 8:29 a.m. Frankfurt time.

The numbers come on the heels of a report that showed factory orders continuing to fall. The malaise has started to spread to other parts of the economy, raising the risk of a recession in Europe's largest economy. Manufacturing, which accounts for some 23 percent of output, dropped an annual 4.9 percent in the second quarter.

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The industrial-led downturn is dragging on the broader euro area as well, prompting another round of monetary stimulus from the European Central Bank and pleas to the German government to deploy fiscal stimulus.

"Whether the economy as a whole shrank in third quarter depends on how services have performed. Leading indicators point to further weakness ahead and the damage appears to be spreading to services. The main sources of the malaise — huge uncertainty over trade and slowing global investment — are not going away."

There's been little in the way of good news for the region's manufacturers.

The US is set to levy import duties on billions of dollars of European products starting next week, and Chinese officials have signaled they're increasingly reluctant to agree to a broad trade deal pursued by President Donald Trump. Meanwhile prospects of a Brexit deal have faded after talks stalled and European leaders cast doubt on reaching an agreement in time for the Oct. 31 deadline.

"Despite the recent slight revival, industry remains mired in a downturn," the Economy Ministry said in a statement Tuesday, pointing to particular troubles in the auto sector. "Weakness in demand persists."

Germany's economy has had periods of volatile growth in the past and a technical recession — two quarters of contraction — isn't unique. The risk is that all of the external pressure continues to mount, creating a deeper and more long-lasting slump.

A measure of investor confidence for Germany is at its lowest level in a decade, while German bond yields have fallen far below zero.

Economists predict growth of just 0.5 percent this year. That would be the weakest full-year expansion since 2013.

The ECB last month cut interest rates and announced it would restart bond purchases to help the euro zone. President Mario Draghi coupled that with a demand for government support. He said its "high time" for fiscal policy to play its part, and nations with space to act — such as Germany — should do so.

Italy's economic risks grow as Gualtieri seeks stimulus money

Italy's economic outlook is growing dimmer, adding pressure on the government to deliver on its tricky promise of an expansionary budget while setting aside billions to avoid a planned increase in sales-tax.

Finance Minister Roberto Gualtieri is scrambling to put together the funding to contain the deficit, avoid economic stagnation and spur growth despite the millstone of Italy's debt that leaves little room for extra spending, Bloomberg wrote.

Gualtieri is due present a draft to the European Commission by Oct. 15, before getting a final approval by year end.

"My aim is to relaunch Italy's growth and employment," he told the country's business lobby, Confindustria. "The government's 0.6 percent growth forecast for next year is balanced, and even prudent."

The Italian economy is officially forecast to barely grow this year, though the new government led by Prime Minister Giuseppe Conte aims to boost that to 0.6 percent with investment, lower labor taxes, countering tax evasion and cutting unemployment.

FORBES

The target already looked hard to achieve, and Gualtieri got a reminder of the risks facing the euro area's third-largest economy.

Italy's statistics office Istat warned that the outlook is negative and that "short-term perspectives for Italian production are weak." Figures due Thursday are forecast to show industrial output rose 0.1 percent in August, though that would follow declines of 0.7 percent an 0.3 percent the previous two months.

Confindustria's predicts the economy will stagnate both this year and next unless a planned sales-tax increase of 23 billion euros ($25 billion) is averted — something Gualtieri has promised to do.

Avoiding the automatic increase due to kick in next year will be "crucial" for Italy's economic outlook, the group said. It forecasts 0.4 percent expansion in 2020 if that happens.

But one month into the job, Gualtieri has to finely balance deficit reduction with Italy's need for investment, as well as appeasing the European Commission.

The government's draft outlook set a 2020 deficit target at 2.2 percent of gross domestic product, meaning that the structural deficit will worsen by 0.1 percentage point next year, instead of the 0.6 percentage point improvement that Italy had committed to.

"We are confident that the flexibility we are looking for is within the rules. We have a constant dialogue with Brussels," Gualtieri said. "We expect a positive reaction to our budget."

Kenya's biggest bank chases down defaulters to stem loan losses

KCB Group Plc is pursuing defaulters as Kenya's biggest lender combines recently purchased National Bank of Kenya Ltd. into its operations.

"You'll see more actions, more demand letters going after our customers" who aren't repaying loans, KCB Chief Executive Officer Joshua Oigara said on the sidelines of a conference in Nairobi, Bloomberg wrote.

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"Next year is the real recovery period for the loans we have for NBK."

The acquisition of state-owned NBK, which has 49 percent of its loans classified as non-performing, will almost double KCB's ratio of bad debts to 12 percent.

Oigara aims to bring the ratio down to eight percent a year after the consolidation, which will be completed during the course of 2020. The deal was approved last month by antitrust regulators.

The lender has already given debtors a taste of what's to come. State-owned East African Portland Cement Co., the nation's oldest maker of the building material, said it is seeking approval from shareholders to sell land and pay off 5.4 billion shillings ($52 million) it owes KCB.

Three days earlier, KCB won a court bid to place another struggling government-owned entity, Mumias Sugar Co., under administration to protect its assets.

"That vigor will continue to remain," the CEO said. "So we expect to recover a number of those loans."

Canada-EU beef trade deal not working as well as hoped

A difference in food health standards between the European Union and Canada is being blamed for beef exports falling short of expectations, despite a promising modification to a trade agreement between Canada and Europe.

In 2017, the landmark Comprehensive Economic and Trade Agreement (CETA) was established, removing tariffs imposed on Canadian production, CBC News wrote.

At first, this was good news for beef producers. But they have been unable to take full advantage of the agreement, and they believe it's due to different health standards required by Europe.

In 2018, Canada sent just 3.1 percent of the 50,000 tons of meat authorized for export each year, and in 2017 only 2.3 percent.

That means CETA earned only $12.7 million for Canadian producers last year, according to Global Affairs Canada.

According to Rich Smith, head of the Alberta Beef Producers, the modified CETA deal has the potential to make the industry approximately $600 million annually.

He called it a missed opportunity for Albertans dealing in the beef export.

"We miss an opportunity to take full advantage of it because of a number of obstacles," said Smith.

Europe does not allow the use of growth hormones and antibiotics during beef production, both of which are used commonly in beef production in Canada.

That means those raising cattle for export in Canada must often adjust their method of production on their farms to be approved, which can be costly.

Beyond extra cost, another roadblock is that there are not enough veterinarians who are able to certify farms for by EU standards.

"There is an overall lack of veterinarians in our industry and that is a problem," said Smith.

"But even the veterinarians that we have, not all of them are able to certify cattle for EU exports."

Christian Siviere, an expert in international trade, said CETA caused excitement for many but how it plays out is more complicated.

"In CETA, there is no harmonization of regulations, no harmonization of standards, said Siviere.

"European standards remain in place, Canadian standards remain in place, and that is what may have been badly gauged or poorly estimated at the outset."

This costly and complicated process of certification has caused cattle farmers to be hesitant to invest in applying to be certified for European beef shipment.

Red Deer cattle farmer Doug Sawyer said he had a strong start to 2019, and based off of that, plans to do his certification application this year.

"It's a strong signal that there is demand," he said. "This is the signal I was waiting for to start."

Sawyer was optimistic that CETA will end up being profitable for him, once the kinks are worked out.

"[It means] getting the European parliament to understand that the processes we use here in Canada are even higher than the ones that they use there," said Sawyer.

"Those non-technical trade barriers have really held us up over the past few years."

Whether other Albertans follow Saywer's example remains to be seen.