

BANKING ON KNOWLEDGE

G20 finance chiefs to address risks arising from slowdown

By Dr R Seetharaman

The G20 finance ministers' meeting was held at Japanese city of Fukuoka during the last weekend. Japan hosted the G20 for the first time since it was founded in 1999.

The meeting came as US President Donald Trump announced that he was calling off planned tariffs on imports from Mexico after reaching a deal on migration, a decision that was welcomed by Bank of Japan governor Haruhiko Kuroda.

The last G20 annual meeting held at Buenos Aires, Argentina, in December 2018, launched a five-month trade truce between the US and China to allow for negotiations, to end their deepening trade war. But those talks had little progress and last month, prompted both sides to impose higher



tariffs on each other's goods as the conflict nears the end of its first year. Global growth appears to be stabilising and is generally projected to pick up

moderately later this year and into 2020.

Oil steadied near \$54 a barrel after Saudi Arabia said it could agree on plans for production with Russia at the G20 summit this month. Crude has fallen significantly from in late April and volatility has jumped as deteriorating US-China trade relations cast a pall over the global growth outlook. Brent crude was near \$63 a barrel.

G20 finance ministers agreed to compile rules on digital taxes for technology companies by 2020. They will redouble their efforts for a consensus-based solution with a final report by 2020.

Following last week's price action surrounding the nonfarm payrolls miss, gold prices have been dented at the start of trade this week with a positive outcome to the US-Mexican talks. Gold was trading at \$1,328/ounce and silver



at \$14.75/ounce. The US dollar index was at 96.8 levels.

The results from last Friday's US non-farm payrolls during last month added to the already escalating market chatter regarding the likeliness that the Fed could cut rates in the next month in response to the ongoing trade jitters and potential slowdown in the US economy.

The Japanese yen was trading at 108.65 against the US dollar and has slid as Mexico has avoided tariffs. The British pound was at 1.2687 against the US dollar and has fallen on news the economy shrank in April.

The euro was trading at 1.13 against the US dollar. The euro has been strong against the dollar of late, but there is a chance the short-term rally could struggle to make further progress. The global markets climbed after President Trump suspended plans for punitive tariffs on Mexican imports. Sovereign bonds fell across the board, along with gold and the yen, as demand for havens ebbed. On YTD basis the markets are up with Dow Jones by 11%, Nasdaq by 17%, S&P By 15%, Brazil 11%, Germany 14%, UK 9%, France 14%, India 10%, Hong Kong 7%, Shanghai 14%, Russia 23% and

Japan 6% respectively. On the regional front on YTD basis Qatar is up 2%, Dubai by 6%, Abu Dhabi by 1%, Saudi Arabia by 13%, Kuwait 22%, Bahrain by 9% and Oman down by 8% YTD.

The global economic recovery is supported by the continuation of accommodative financial conditions, stimulus measures taking effect in some countries, and one-off factors dissipating. However, growth remains low and risks remain tilted to the downside. Most importantly, trade and geopolitical tensions have intensified. The G20 will continue to address these risks and stand ready to take further action. Global current account imbalances remain large and persistent even though they have narrowed in the decade since the global financial crisis.

■ The author is Group CEO of Doha Bank.