

## HK economy grows 0.5pc

AFP, Hong Kong

Hong Kong's economy grew 0.5 per cent in the second quarter to June from a year earlier, mainly propelled by a pick-up in exports, the government said Friday.

Hong Kong's gross domestic product (GDP) returned to growth in year-on-year terms after a revised 0.5 per cent decline in the first quarter, the Census and Statistics Department said in a statement.

The economy grew a seasonally adjusted 0.4 per cent in the second quarter from three months earlier, when growth was a revised 0.2 per cent.

The government revised upwards its forecast for growth during the full year to 1.5 per cent from 1.0 per cent, although it said this was mainly due to a technical revision to the method for calculating GDP.

## Afghan govt to replace old notes

AFP, Islamabad

The Afghan government has decided to issue new notes to replace the present afghani as part of an overall plan to rehabilitate the economy, the Afghan Islamic Press said Thursday.

President Hamid Karzai is expected to announce the launch of the new currency soon, the Pakistan based news agency said.

It said the new notes had been printed in Germany and would replace the Russian made afghanis, which has virtually lost its value due to an oversupply.

At the current rate 100,000 Afghanis are worth about three dollars, it said.

The afghani fluctuated wildly in recent years due to massive political changes in the war-ravaged country.

Afghanistan does not have a trusted banking system, and the few financial institutions that exist in Afghanistan have been systematically plundered during the past 20 years of warfare.

Sources said the new currency would stabilise the money market in the wake of massive aid pledges made by international donors in the aftermath of the US-led war on terrorism which saw the ouster of the hardline Taliban regime late last year.

# US Jobless queues lengthen as economy crawls

AFP, Washington

The queue of US job seekers is lengthening in an economy that crawled ahead at a 1.1-per cent annual rate in the April-June quarter, government figures showed Thursday.

Latest data confirmed the US economy was expanding too slowly to drive a recovery in the labour market, experts said.

Gross domestic product (GDP) grew at a 1.1-per cent annual rate in the April-June quarter, an abrupt slowdown from 5.0-per cent growth in the first quarter, the Commerce Department said.

The number of people filing new claims for US unemployment benefits breached

400,000 in the week to August 24 for the first time in seven weeks, the government said.

"You can produce these sorts of GDP numbers without hiring anybody else," said Wachovia Securities global economist Jay Bryson.

"What you are probably looking at is a recovery very much like the recovery out of the last recession: that is a jobless recovery at least for the first year or two."

On Wall Street, investors disliked the figures. The Dow Jones industrials average of 30 top stocks fell 23.10 points, or 0.27 per cent, to 8,670.99 at the close, recovering from earlier lows.

Economists had been expecting the gross domestic product figure to be revised slightly upwards to show growth of 1.2 per cent in the April-June period. Preliminary data were released July 31.

But the government made no change to the overall figure in its latest update.

Separate figures showed the number of job seekers making initial claims for benefits grew 8,000 to a seasonally adjusted 403,000 in the week to August 24, the highest number since the week ending July 6.

Tim O'Neill, Chicago-based chief economist at Bank of Montreal, said the economic growth figures were barely

changed.

"The jobless claims (figure) is more worrisome because it is current and it is confirming that the labor market is still sluggish," O'Neill said.

"It does suggest that if we get any jobs growth at all it is going to be pretty anaemic."

The trend growth just to keep the employment rate constant would have to be 150,000 jobs a month, he said. "We are some distance from that still."

Monthly unemployment figures released this month showed the US economy added just 6,000 jobs in July while the unemployment rate held steady at 5.9 per cent.



German travel company TUI Chairman of the board Michael Frenzel presents the model of a new cut-price flight line Hapag-Lloyd Express on Thursday in Hanover. The presentation was made parallel to the half-year figures together with low-cost airline partner Berliner Germania. The flights will take off from Cologne and Bonn from December.

# United Airlines outlines \$9b cost cuts to avoid bankruptcy

REUTERS, Chicago

United Airlines Thursday demanded \$9 billion in cost cuts over six years from its labour unions to avoid a bankruptcy filing, but two of the unions balked, throwing the future of the No. 2 US carrier into doubt.

UAL Corp's United, hard hit by the effects of the Sept. 11 attacks, declining revenues and labour strife, said it was seeking \$1.5 billion in annual savings from labour as part of a plan to cut yearly costs by \$2.5 billion and avoid a bankruptcy filing this autumn.

The machinists' union said it would not discuss any proposals until a successor to UAL's interim chief executive, Jack Creighton, is named, while the pilots' union rejected the cuts outright.

"We told the company that their proposal was just totally and wholly

unacceptable," Steve Derebey, a spokesman for the Air Line Pilots Association, said. Asked what was specifically objectionable, he replied: "The scope and magnitude ... it boggles our mind."

A UAL spokesman said: "We still plan to work with the pilots and all of our employee groups, because as we said earlier, we really have two paths we can take."

"One is to reduce our costs; the other, of course, is a possible Chapter 11 filing," he said.

Analysts said that without further measures, the ELK Grove Village, Illinois-based airline is likely to be forced to file for bankruptcy protection.

"Barring significant progress in the coming weeks that we simply do not believe is forthcoming, we continue to believe UAL has a 75 to 80 per cent or greater risk of filing

for Chapter 11 protection," James Highins, an analyst at Credit Suisse First Boston, said in a research note this week.

United said the cost-cutting target would boost the likelihood of getting \$1.8 billion in federal loan guarantees when it re-applies to the US Air Transportation Stabilization Board.

The agency, created after the Sept 11 attacks, told the airline it needed "broader, deeper and longer" concessions from labour, vendors and suppliers, according to United.

The airline also faces a fourth-quarter cash crunch due to large debt payments falling due.

It imposed a Sept. 15 deadline to reach labour agreements as it tries to avoid following smaller US Airways Group Inc. into bankruptcy. Customers will also feel the

pinch. The airline said it was initiating several ticketing policy changes as a cost-saving measure including eliminating paper tickets and raising the accumulated frequent flier miles needed to buy seat upgrades.

United is 55 per cent owned by employees, with pilots holding the largest stake at about one-quarter. Both the pilots and machinists hold board seats and have de facto veto power over the search for a new chief executive.

Shares of parent company UAL fell 23 cents, or 7 per cent, to close at \$3.05 on Thursday on the New York Stock Exchange.

The overall airline sector continued lower as well after Goldman Sachs analysts Glenn Engel widened loss estimates for several airlines as revenue stagnates and bookings for September look weak.

# US aviation industry presses workers to share pain

AFP, Washington

The battered US aviation industry pressed workers Thursday to help take the pain: Boeing faced off with unions while United Airlines and US Airways called for pay cuts.

"There is no doubt that they are having to resolve these issues and arguably they should have resolved them a year or two ago," said John Ash, managing director of Global Aviation Associates.

"But a combination of the business recession, the failure of all the dot-coms in 2001, and 9-11 really exacerbated the situation and in effect now has forced a resolution of the labor cost issues."

Labor costs in the US commercial airline industry accounted for 40-45 per cent of total costs, he said. "You are not going to solve your problem unless you deal with your labor cost issue."

But the efforts to cut costs met with tough resistance in some sectors of the industry, which shed

more than 100,000 workers in the immediate aftermath of the September 11 attacks:

-- Aviation giant Boeing refused a request from mediators to continue negotiating with the machinists' union -- International Association of Machinists and Aerospace Workers (IAM) -- over a new three-year contract so as to avoid a strike.

-- US Airways, already in bankruptcy, said it would ask a bankruptcy court judge to impose a cost-cutting program after the plan was rejected by a group of its mechanics.

-- United Airlines, the second-largest US carrier, called on machinists to take a 10.4-per cent pay cut to help avert bankruptcy, according to a copy of the proposal released by the union.

United Airlines was insisting on saving 185 million dollars in costs from the union members to avoid bankruptcy and to obtain government loan guarantees.

Of the three companies, US Airways, which had received a

conditional approval for a one-billion-dollar government loan guarantee, was the most likely to get a clean result, Ash said.

"It will be resolved by virtue of the bankruptcy court, which will do it because everybody needs to take a haircut and because it is essential if US Airways is going to get the government loan guarantee."

United Airlines, however, was struggling to cut costs to help along its own request for a 1.8-billion dollar loan guarantee from the Air Transportation Stabilization Board (ATSB), set up to stabilize airlines after the attacks.

"I think because of the intransigence of the pilots and the mechanics, that situation is probably going to go Chapter 11 (bankruptcy protection) and therefore has to be resolved in the bankruptcy court," Ash said.

Boeing, which was refusing further talks with the union, faced a less critical problem, he said.

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