Brazil's slump hits jobs as election nears

REUTERS, *Sao Paulo/Brasilia*

Many of Brazil's biggest retailers, homebuilders and carmakers are cutting jobs as Latin America's largest economy teeters on the edge of recession, a fresh blow to President Dilma Rousseff's re-election bid.

For years, low unemployment was key to Brazil's emergence as an economic power and important gains in the fight against poverty.

The unemployment rate remains near record lows of around 5 percent and the leftist Rousseff regularly touts it as a success of the ruling Workers' Party over the last 12 years.

But after a decade of good news, the labor market is showing signs of weakness, possibly depriving her of a trump card in the October election.

Industries from textiles to steel have been trimming payrolls since last year due to weak economic growth, cost inflation, high taxes and a tough exchange rate.

Now jobs are disappearing in retail, construction and food processing, which had been reliable engines for growth and new employment over the last decade.

Even automakers, one of the big beneficiaries of Brazil's economic boom last decade, have cut thousands of jobs as they idle assembly lines in the face of slumping consumer demand.

The economic slowdown has deepened since the World Cup soccer tournament that ended last month, threatening to undercut Rousseff's re-election campaign as retail workers like 27-year-old Evandro Dias lose their jobs.

"Sales were horrible ahead of the Cup, but everyone thought things would rebound. Instead they got even worse, so here I am," said Dias, who stopped by a Sao Paulo union on a recent afternoon to register his layoff from an electronics retailer.

The low jobless rate is due in part to a shrinking labor force as more young Brazilians pursue higher education and technical training. Many economists expect unemployment to rise as government figures show formal job creation slowing to its weakest pace in over a decade.

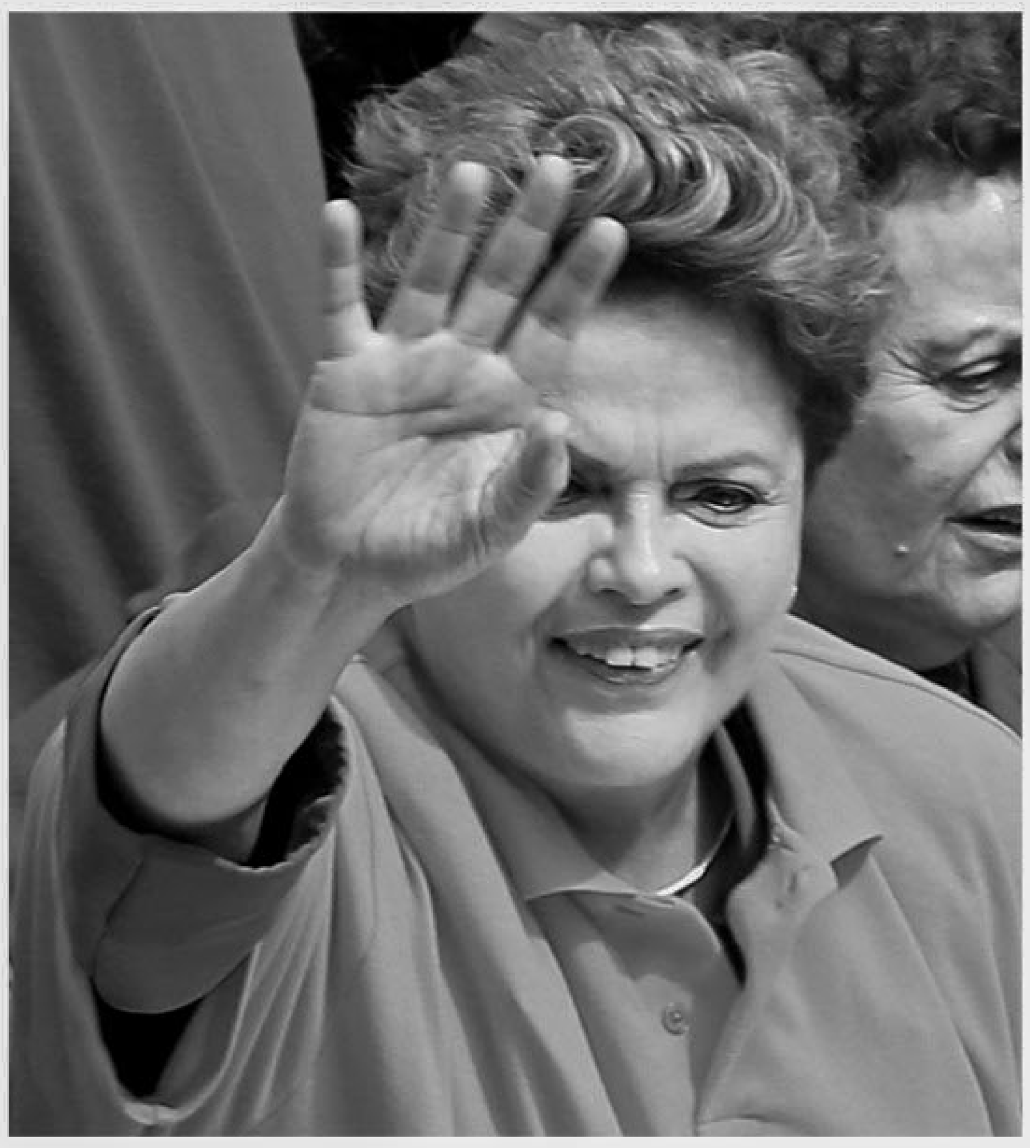
Brazil's economy added less than 12,000 net payroll jobs in July, the slowest pace for the month in 15 years, according to official data released on Thursday. Most new jobs were low-skill service and agricultural hirings.

Big companies have been careful to avoid mass layoffs, cutting a few hundred workers at a time or leaving empty posts unfilled, but the cumulative effect is seeping into the election campaign.

"We're not generating good-quality jobs here - or even low-quality ones, according to the latest data," Senator Aecio Neves, a pro-business former state governor and one of Rousseff's top rivals, said in a recent TV interview.

Ahead of the Oct. 5 election, Rousseff is selling the message of economic good times and greater opportunities under Workers' Party rule. It is a key reason behind her lead in opinion polls even though growth has slowed to less than 2 percent per year during her own four-year term and inflation is running at around 6.5 percent.

Neves and environmentalist Marina Silva, who announced her presidential candidacy this week, are focusing on the sluggish economy in their campaigns and are almost certain to force Rousseff into a runoff vote on Oct 26.



Dilma Rousseff

A recent poll showed that unemployment is already the third biggest concern of voters, after healthcare and crime.

Rousseff has a strong lead in polls for the first round but looks vulnerable in a likely runoff vote, especially if she faces Silva.

"What matters more than the numbers is the news flow," said Ricardo Ribeiro, a political analyst at MCM Consultores. "If word of layoffs get through to the voter, it could create anxiety about what's going to happen next in the labor market."

Job cuts are even appearing among "national champions," the nickname for companies atop Brazil's strongest industries due in part to government-sanctioned mergers.

Retailers alone eliminated a net 78,264 formal jobs in the year through July, compared to average growth of 41,000 in the same period of the prior three years, official data shows.

No.1 retailer GPA SA, Brazil's biggest private-sector employer, eliminated about 3,000 jobs from April to June, its biggest quarterly cut in over 15 years, according to a Reuters analysis of earnings reports.

GPA ended 24-hour service at its supermarkets in April and has been closing home appliance stores following a merger that created its Via Varejo SA division. Executives say workers at stores with cutbacks were offered opportunities elsewhere.

Ricardo Patah, the head of Sao Paulo's retail workers union, said the only reason things are not worse is that shop owners are wary of firing now and then having to rehire for the year-end holiday season.

"If this were the beginning of the year, you can be sure the knives would be out, slashing even more jobs," Patah said. "Next January could be the worst ever for retail layoffs if this crisis extends through the rest of the year."

In the first real test of post-World Cup demand, sales ahead of Father's Day, which falls in August in Brazil, dropped for the first time in five years. Former GPA chairman Abilio Diniz has also brought a cost-cutting campaign to his new boardroom at BRF SA, the world's biggest poultry exporter.

As chairman at BRF, Diniz tapped chief executive Claudio Galeazzi, known as "Scissor Hands" for running layoffs at companies from retailer Lojas Americanas SA to ceramics maker Cecrisa.

As part of a plan to streamline operations and increase production overseas, BRF reported 73 million reais ($32 million) in second-quarter rescission costs for "staff adjustments." BRF declined to elaborate on the layoffs. Galeazzi said this month he plans to step down at the end of the year.

Civil construction, which created an average 200,000 jobs per year from 2010 to 2013, has added just 18,000 net jobs over the past 12 months, as the country's biggest developers scale back new projects due to weak demand.

Gap to launch 40 stores in India

AFP, *New Delhi*

US casual-wear retail giant Gap Inc says it will open 40 stores in India, calling the expansion "an important next step" in its global growth strategy.

The San Francisco-based company, known for its relaxed-style denim and other attire, is the latest foreign company to enter India to tap its increasingly brand-conscious and expanding middle-class.

"India is an emerging, vibrant market and an important next step in our global expansion strategy," Gap global president Steve Sunnucks said in a statement late Thursday.

Gap will launch the first franchise-operated stores in the national capital New Delhi and financial hub Mumbai in 2015. The two big cities boast thriving shopping scenes.

Gap, which made the announcement as it reported second-quarter profit rose 25 percent to $303 million from a year earlier, has already been expanding quickly in neighbouring China.

It expects to have 110 Gap stores in China, Hong Kong and Taiwan by the end of 2014, while the Gap brand is already present in nearly 50 countries.

Gap will tie up with Arvind Lifestyle Brand, part of leading textile-maker Arvind Ltd, to open its franchised outlets in India, long one of the US firm's top global product-sourcing sites.

As the world's second-most populous nation with 1.25 billion people -- half under the age of 25, India represents an attractive market for Gap's casual wear, the US company said.

While many Indians sport traditional clothing such as saris and salwar kameez -- long shirts and loose trousers, growing numbers of young people are adopting Western attire such as jeans and T-shirts. Young Indians "are actively embracing fashion in today's retail environment", said Ismail Seyis, Gap Global Franchise vice president.

North America still accounts for over three-quarters of the company's sales but Gap is focusing increasingly on rapidly expanding emerging nations to propel growth.

Big clothing retail names such as Adidas and Reebok are already in India. But lack of store space and legislative and regulatory hurdles have stood in the way of a significant increase in the presence of foreign retailers.

New Prime Minister Narendra Modi has pledged to create a more business-friendly environment but there are still political concerns about big retailers driving smaller rivals, mainly mom-and-pop operations, out of business.

Gap's new Indian stores will add to its global retail portfolio that includes 3,200 company-operated stores and 400 franchise outlets.

BANGLADESH TEA ASSOCIATION

Mohd Safwan Choudhury, chairman of Bangladesh Tea Association, attends the 54th annual general meeting of the association in Chittagong yesterday. Ardashir Kabir, senior vice-chairman, was also present.

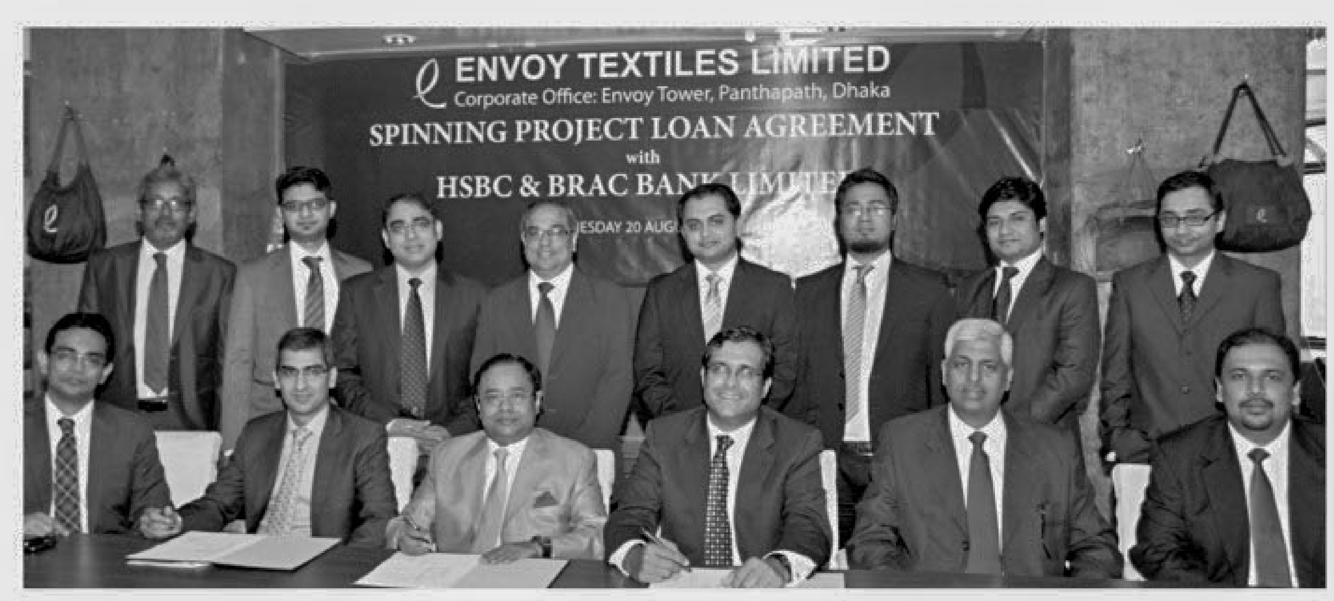
Amazon readying an attack on Google's ad business

AFP, *New York*

US online giant Amazon is preparing to take on Google in one of its core businesses, Internet advertising, the Wall Street Journal said Friday, citing sources familiar with the matter.

Amazon is developing its own program to target ads using the information it gathers about the preferences of its customers. Tests of the new platform could start later this year, the business daily said.

Google is for now the uncontested top dog in online publicity, with around a 31.45 percent share of the global market this year, according to figures from research firm eMarketer. The company earns around $50 billion a year from its advertising business, compared to the just $1 billion Amazon is expected to earn this year, the Wall Street Journal said.



ENVOY TEXTILES

Kutubuddin Ahmed, cheirman of Envoy Textiles; Bhuvnesh Khanna, country head of commercial banking at HSBC, and Mahmoddun Nabi Chowdhury, head of corporate banking at Brac Bank, attend the signing of an agreement for a loan of $20 million for the establishment of a spinning unit of Envoy Textile on Wednesday.