India's growth speeds up in after-glow of Modi's triumph

REUTERS, *New Delhi*

The after-glow of Narendra Modi's election victory nearly four months ago helped India's lumbering economy register its fastest growth in two-and-a-half years for the quarter ending in June.

Gross domestic product grew a faster-than-expected 5.7 percent year-on-year, a government data showed on Friday, sharply higher than a provisional 4.6 percent expansion in the previous three months.

The last two years marked the longest spell of growth of less than 5 percent in a quarter of a century, and Modi must spur the economy to far faster growth to provide jobs for increasing numbers of youth joining the work force, and to lift millions out of poverty.

"We are at the starting point of the pickup in the growth cycle in India," said Sonal Varma, an economist with Nomura. "This data gives us the first sign into that."

She expects the economy to expand 6 percent year-on-year in the fiscal year to March 2015, higher than 5.5 percent estimated by the Reserve Bank of India and faster than a near decade-low of 4.7 percent last year.

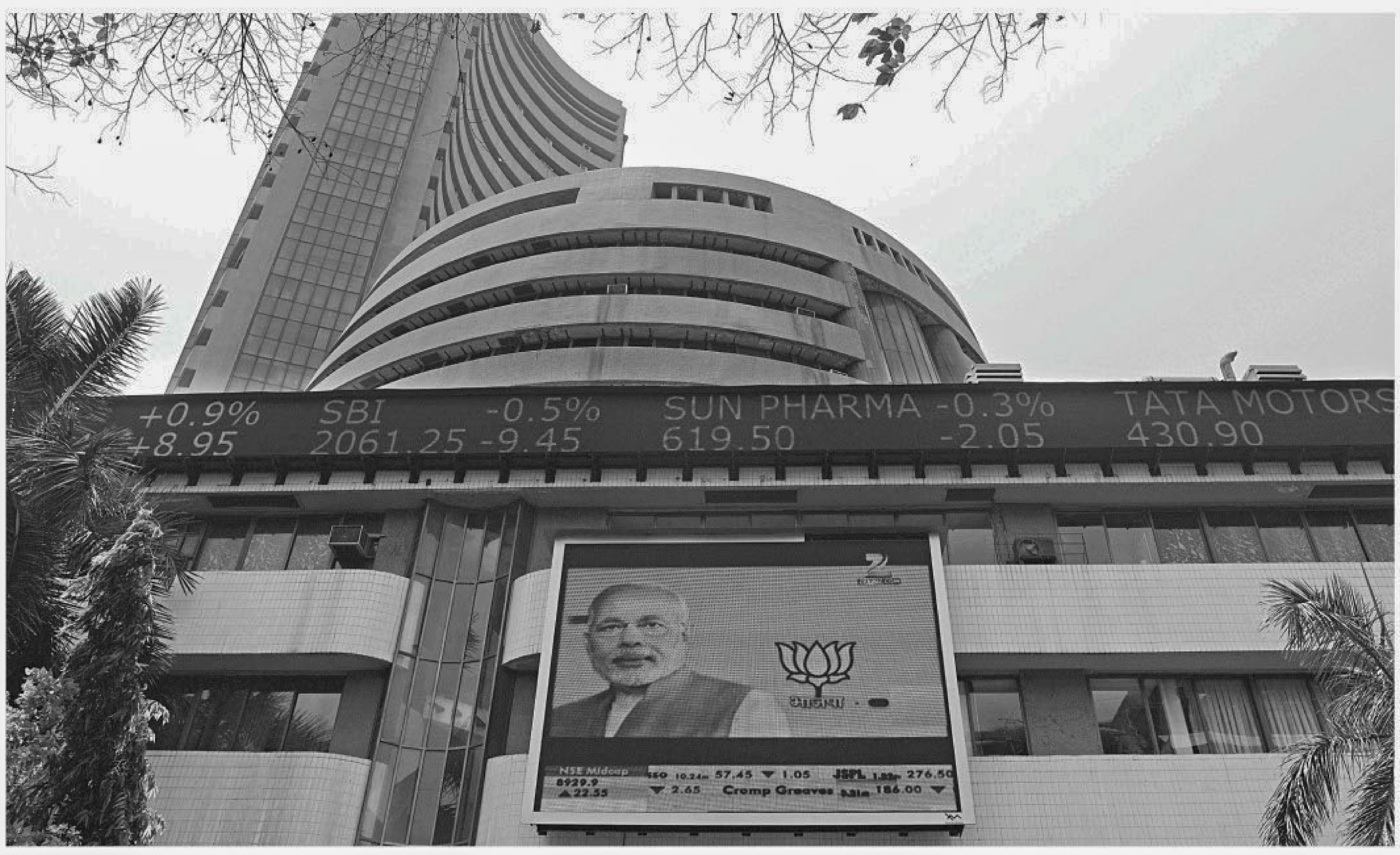
India's new prime minister has promised to make it easier to do business through speedier clearances and stable tax policies, giving investors in Asia's third-largest economy hope of a rosier future after years of low growth and high inflation.

That hope has led to a marked increase in foreign capital inflows to the country - even before the election - making Indian shares the best performers in Asia this year.

Even though Modi is yet to launch big-bang reforms needed to propel the economy back to a near double-digit annual growth, his three-month-old administration has received a big thumbs-up from Indian corporates.

An overwhelming majority of CEOs in two polls, published by two national dailies on Thursday, credited Modi for reviving business confidence.

Aiding the sentiment, the global economy is showing signs of strengthening and is expected to lift overseas demand for Indian merchandise and underpin the recovery.



AFP/FILE

The Indian Bombay Stock Exchange building is pictured in Mumbai. India said its economy grew by 5.7 percent in the first financial quarter, its fastest pace in over two years.

"We believe economy is definitely on a path of improvement," said Shubhada Rao, chief economist at Yes Bank in Mumbai. "For the full year, we could see a 60 to 80 basis points improvement from the last year."

However, without an overhaul of India's strained public finances, stringent land acquisition laws, chaotic tax regime and rigid labour rules, economists say, a broader and sustained economic revival will likely remain elusive.

Modi was expected to replicate his success as head of Gujarat state in breaking the political logjam in New Delhi that had blocked efforts to push these structural changes.

But a lack of majority in the Rajya Sabha means some of these measures cannot be carried out without bipartisan support. That has already delayed plans to increase foreign ownership caps in the insurance and pensions sector and revamp labour laws.

"For India's better economic performance to be sustained, the government will have to follow through on politically costly measures," said Bill Adams, senior international economist for PNC Financial Services Group.

The improvement in the latest GDP figures is in large measure due to the steps taken by the previous government to kick-start investments and spur consumer demand, which have led to a revival in manufacturing and mining activity.

Year-on-year growth was also helped by a favourable statistical base because of weak economic activity last year.

A wider economic recovery is still some distance away. Soaring prices of essential food items have squeezed India's consumers.

With private spending accounting for 60 percent of the economy, that bodes ill for a faster turnaround. It grew 5.6 percent on year in the June quarter compared with an 8.2 percent rise three months ago.

IMF approves $1.4b aid payment for Ukraine

AFP, *Washington*

The International Monetary Fund approved Friday the release of nearly $1.4 billion in fresh funds for troubled Ukraine, but warned that continued fighting could undermine the international bailout of the country.

The global crisis lender said Kiev had "generally" implemented economic reforms required under the support program launched in April, though it had missed targets for building up reserves and cutting the government's deficit.

But it said that the urgent support program marshaled for the economy by the IMF, United States and Europe in April remains deeply at risk.

The program "continues to hinge crucially on the assumption that the conflict will subside in the coming months," it said.

That challenge appeared even more stark after NATO said Russia had sent at least 1,000 troops to fight alongside the rebels and had massed 20,000 troops near the border.

"This is not an isolated action, but part of a dangerous pattern over many months to destabilize Ukraine as a sovereign nation," NATO chief Anders Fogh Rasmussen said.

Despite the escalation in the crisis, IMF Managing Director Christine Lagarde said the government that took over in Kiev after February's overthrow of the pro-Russia president Viktor Yanukovych had made progress on the economy.

"However, the escalating conflict in the East and ongoing geopolitical tensions have weighed heavily on the economy and society, causing a deeper recession and deviations from program targets in the short term," she said in a statement.

And while the government remains committed to closing its deficit, improving the climate for business, and fighting corruption, she said that risks to the program "remain high".

"The program success hinges on a timely resolution of the conflict in the East, as well as on the authorities' strong policy performance and adherence to the planned reforms," she said.

Prime Minister Arseniy Yatsenyuk via Twitter welcomed the new funds Friday as "a welcome sign of support and confidence."

But earlier he described the economic situation "very difficult and very complicated, (as) the country is at war."

It was the second release of funds from the IMF's program to help stabilize the economy and its currency, the hryvnia, battered by years of mismanagement and deep corruption and more recently by Russia's seizure of Crimea and troubles with rebels in the country's east.

Ukraine's economy has contracted for nearly two years and continued to shrink in the April-June quarter.

AFP

A model poses during a promotion for Japanese company Canon's new inkjet printers for personal and business use, the Pixus and the Maxify, at the company's showroom in Tokyo on August 28.

UK supermarket giant Tesco rocked by new crisis

AFP, *London*

British supermarket giant Tesco plunged deeper into crisis on Friday after issuing yet another profits warning, cutting both its dividend and capital expenditure, and rushing in its new chief executive.

In reaction to the dire trading update, Tesco shares plunged by more than 8.0 percent in early morning deals on the London stock market to strike an 11-year low point.

The company is Britain's biggest retailer and describes itself as "one of the world's largest retailers", with activities notably in China, India and eastern Europe.

The group, which has struggled on its main market in Britain in the face of stretched household budgets and fierce competition from German-owned discount chains, blamed challenging trading conditions and high investment costs for Friday's announcement.

Trading profit was forecast at between £2.4 billion and £2.5 billion ($4.0 billion and $4.2 billion, 3.0 billion euros and 3.15 billion euros) in the 2014/2015 financial year.

That was well below market expectations of between £2.7 billion and £2.8 billion, and was down on the £3.3 billion reported in the prior year.

Tesco also slashed its interim shareholder dividend by 75 percent to 1.16 pence per share, while expenditure was cut by £400 million to no more than £2.1 billion.

AFP

A Tesco supermarket in north London. British supermarket giant Tesco on Friday issued another profits warning and slashed its shareholder dividend by 75 percent, blaming challenging trade and high investment costs.

And in another surprise move, new chief executive Dave Lewis will start on Monday -- one month earlier than planned -- in order to carry out a review of "every aspect" of the business.

"The combination of challenging trading conditions and ongoing investment in our customer offer has continued to impact the expected financial performance of the group," Tesco said in the statement.

"The business continues to face a number of uncertainties, including market conditions and the pace at which benefits from the investments we are making flow through in the second half and consequently the board has revised its outlook for the full year."

Tesco had announced last month that outsider and Unilever executive Lewis would replace Philip Clarke, who had shocked markets at the start of 2012 when he oversaw its first profits warning for 20 years.

That sparked a £1.0-billion turnaround plan to refresh supermarket stores, but the group revealed in April that annual profits fell for the second year in a row.

Clarke was ousted last month after Tesco warned that profits would be "somewhat below expectations".

Approaching midday on Friday, Tesco shares were down 5.38 percent at 233.05 pence on London's FTSE 100 index, which however rose 0.12 percent.

"Tesco has shocked the markets by announcing another profits warning, slashing its dividend by 75 percent and rushing in the new CEO Dave Lewis a month before he was originally due to start," said IG analyst Alistair McCaig.

"All this smacks of desperation ... Unsurprisingly, UK food retailers dominate the list of stocks falling in the FTSE with Sainsbury, Morrisons and Marks & Spencers all tumbling."

Sainsbury stock was down 2.97 percent at 294.49 pence, Morrison fell 4.19 percent to 179.085 pence and M&S slid 2.03 percent to 429.2 pence.

Tesco has struggled in recent years in Britain, as recession-weary shoppers have turned to discount retailers Aldi and Lidl.

Discount chains boomed during the downturn as consumers tightened their belts to save cash, and remain popular despite the economy's strong recovery.

Samsung denies child labour at Chinese supplier

AFP, *Seoul*

South Korea's Samsung Electronics has refuted fresh allegations by a labour protection watchdog that one of its suppliers in China hired child workers.

New York-based China Labor Watch (CLW) claimed in a report Thursday that Samsung supplier HEG Technology had hired people under the age of 16 at its facility in Huizhou, China.

The report said the factory, where components for Lenovo are also built, had hired new workers, and neglected to check their identification.

The youngest worker was found to be 14, the report said, adding the factory had also hired 117 college students, many of whom averaged 12.5 hours of work each day.

The student workers eventually quit their jobs, but complained that the factory owed them money, according to the report.

Samsung, however, insisted that a recent onsite investigation found no underage or student workers at the facility.

"The investigation found that there were no child workers nor student workers working in the Samsung Electronics production line at HEG," the company said in a statement e-mailed to AFP on Friday.

The world's largest mobile phone maker said it had called for a joint investigation with the labour group to verify the results before its report was issued.

"We find it regrettable that CLW issued the allegations ... without any mention of our statement," it said.

Samsung stressed again that it has a zero tolerance policy regarding child labour, and actively works with its Chinese suppliers to screen out underage hires.

"We deeply care about the health and safety of all our employees, and employees at our suppliers and strictly maintain a zero tolerance policy on child labour," the company said.

This is the second case where the rights monitoring group has accused HEG of hiring underage workers.

In 2012, the group claimed HEG had violated child labour regulations. Samsung rejected the claim but acknowledged "inadequate" practices including excessive overtime.

The labour group, however, said its latest investigation showed that "conditions at HEG failed to improve".

Malaysia Airlines to slash 6,000 jobs in survival bid

AFP, *Kuala Lumpur*

Malaysia Airlines will slash 6,000 jobs, trim its route network, and replace its CEO under plans announced Friday to stave off bankruptcy after two air tragedies plunged the already troubled carrier deeper into crisis.

State investment fund Khazanah Nasional, which controls the failing flag carrier, said it would pump 6 billion ringgit ($1.9 billion) into the airline, hoping the changes will return the company to profitability within three years.

Khazanah's Managing Director Azman Mokhtar said, however, there were no plans to change the carrier's name -- now deeply tarnished by its association with the MH370 and MH17 tragedies, which have pummelled bookings.

"The combination of measures announced today will enable our national airline to be revived," Azman said.

Aviation analysts, however, said it was far too early to predict success, citing a lack of details in the plans, intense industry competition, and the airline's sullied image.

Malaysia Airlines (MAS) has bled money for years, with analysts blaming poor management and a failure to keep up with industry competition.

But the outflow has become a torrent due to this year's disasters.

MH370 mysteriously vanished on March 8 with 239 passengers and crew aboard. MH17 went down July 18 -- believed hit by a surface-to-air missile -- in rebellion-torn eastern Ukraine, killing all 298 on the plane.

MAS previously had a solid safety record.

The airline released a statement saying its flights would operate as normal during the restructuring.

Azman said the company will shed about 6,000 -- or 30 percent -- of the airline's nearly 20,000 employees.

Ismail Nasaruddin, head of Malaysia's flight attendants union, said the union was awaiting details on how the layoffs would be carried out.

"The numbers are pretty high," he said. "A lot of frustration is in the air. That's obvious."

MAS also will "rationalise" its flight network -- a term it has used previously for cutting unprofitable routes -- to become a "principally regionally focused" carrier, Azman said, giving no further details.

A new CEO would be chosen by end-2014, though current under-fire boss Ahmad Jauhari Yahya would stay in charge until July 2015 to ensure a smooth transition.