Russia pressures exporters to prop up ruble

AFP, *Moscow*

THE Russian government has ordered state-controlled exporters to sell part of their foreign currency holdings, a move which could marshal some $50 billion to support the sagging ruble.

After touching record lows last week the Russian currency has rebounded, a development which analysts explain by Russian export giants intervening in the market alongside the central bank and finance ministry supporting the ruble.

Revealed by the business daily Kommersant, the government published later on Tuesday a decree ordering gas company Gazprom, oil firms Rosneft and Zarubezhneft, and diamond exporters Alrosa and Kristall to reduce their holdings of foreign currencies.

Foreign exchange market insiders cited by Kommersant estimated that the move could free up $40 to $50 billion (33 to 41 billion euros), or about $1 billion per day in sales to the market through a March 1 deadline set by the government.

The foreign currency sales by the companies follow near daily interventions by the central bank, which has spent more than $10 billion this month to support the ruble.

The finance ministry announced last week it was also using $7 billion to support the battered currency, which crashed by 20 percent during trading one day, leaving the ruble at less than half the value at which its started the year against the dollar and euro.

The central bank said Tuesday it plans to hold talks with exporters in order "to develop an optimal plan of action" for the currency sales.

"Regular sales of currency earned from sales throughout the year is advantageous both for ensuring stability on the foreign currency market and for export companies as it protects them from risks from swings in the exchange rate," the Bank of Russia said in a statement to AFP.

A Rosneft official welcomed the fact that the decree didn't order sales of specific amounts, with actions to be coordinated by the central bank.

"We need to battle together to save the ruble as there are forces working against it," Rosneft Vice President Mikhail Leontyev was quoted as saying by TASS news agency.

The ruble has now recovered its losses from last week and more. In afternoon trading on Tuesday it stood at 54.69 to the dollar, far off the record of over 80 to the greenback it hit last week. Against the euro it was trading at 66.77 rubles, compared to over 100 last week.

VTB24 bank analyst Alexey Mikheyev said the main reason for the rebound is "a ruble deficit on the market" due to tighter monetary conditions imposed by the central bank.

AFP

Russia's Communist Party supporters dressed as white bears, symbol of pro-president party United Russia, saw a model of a one Russian ruble coin during a rally against ruble fall in exchange in front of the headquarters of the government in central Moscow on Monday.

The ruble's rebound comes as a relief for the government following last week's panic, which also saw Russians rushing to shops to buy imported goods before stores raised prices.

Numerous retailers halted sales while others quickly hiked prices. Some supermarkets returned to the practice during the hyperinflation of the 1990s of not marking price in rubles.

But the stability could come at a steep price.

The central bank jacking up its main interest rate from 10.5 to 17 percent helped support the ruble, but be a shock to economic activity as the cost of credit becomes much more expensive for businesses and consumers.

"The economic situation requires extremely precise measures, Prime Minister Dmitry Medvedev said Tuesday.

"If we set targets that are too modest we risk falling in a deeper recession" than necessary, he was quoted as saying by Russian media during a meeting of the ruling United Russia party.

The government had been forecasting that after eking out 0.6 percent growth this year the economy would slump by 0.8 percent in 2015.

But after the fall of the ruble, the rise in interest rates, and the plunge in the global oil price which is key for government revenues, certain economists see the Russian economy contracting by 5 percent next year.

And while the ruble is for the moment being propped up by the government, there remains the risk it could be hit again as nervous Russians are withdrawing their money from banks en masse.

"It is a real panic," said Mikhail Zadornov, the head of the country's second largest bank, VTB24.

"People are also withdrawing their deposits in foreign currencies" and not just rubles to convert into dollars or euros, he told the daily Vedomosti.

Russians are no strangers to bank failures since the collapse of the Soviet Union, and the central bank on Monday rushed to bail out the country's 15th largest bank by deposits.

India hikes insurance investment cap, bypassing lawmakers

AFP, *New Delhi*

INDIA'S cabinet on Wednesday approved an executive decree to hike foreign investment in the funds-starved insurance sector, bypassing squabbling lawmakers to push ahead with economic reforms.

The ordinance, a rarely used measure, raises the foreign direct investment cap in insurance companies to 49 percent from 26 percent but must be approved by both houses of parliament within six months to take permanent effect.

"The ordinance demonstrates the firm determination of the government for reforms," Finance Minister Arun Jaitley told reporters in New Delhi.

Foreign investors have been long eyeing the lucrative sector, which analysts say has huge potential thanks to a fast-expanding middle-class and the fact that only around four percent of the 1.25-billion population has insurance cover, according to industry figures.

"Large investment is waiting to come," Jaitley said, while government officials say they expect billions of dollars in foreign funds to flow into the sector in coming years.

The traditionally fractious parliament has been stalled by rows over alleged "forced" religious conversions of Christians and Muslims by Hindu hardliners, many of them close to the ruling Bharatiya Janata Party which took power in May.

The issue of religious conversions is particularly sensitive in the majority-Hindu country where religious freedom is a constitutional right.

The row also meant the right-wing government left much undone on its 'to-do list' in the last session of parliament which wrapped up Tuesday.

The insurance decree, one of the government's big-ticket reforms, "announces to the world and investors this country can no longer wait" for reforms, said Jaitley, who presents his first full budget next February.

The decree followed a vow by Jaitley last weekend not to allow parliamentary protests to block economic reforms, saying "either we reform or we miss the bus once again."

The cabinet also cleared an ordinance renewing approval for the long-awaited auction of coal mining licences in India, which is heavily dependent on the resource for generating electricity.

The sale by auction is aimed at making transactions more transparent after previous allocations were dogged by illegalities.

The government, led by Prime Minister Narendra Modi, has been seeking to step up the pace of reforms to revive the stuttering economy after criticism from business it was not moving swiftly enough.

AFP

Alibaba says costumer complaints on fakes have fallen by 22 percent from last year.

Alibaba spends $160m fighting fakes

BBC News

Chinese e-commerce giant Alibaba says it has spent more than $160m (£103m) fighting fake goods on its websites from the beginning of 2013 to November of this year.

The company will add another 200 people next year to the 2,000 workers tackling counterfeit goods on its sites.

That is in addition to the 5,400 volunteers who are already involved in its daily online surveillance plan. The prevalence of fake goods in China is still a big problem.

Before its record-setting $25bn listing in New York, the world's largest e-commerce company had said in its IPO prospectus that counterfeits goods could hurt its ability to win customers, investors and US retail partners.

In comparison, US e-commerce site eBay said in a court filing in 2010 that it spends up to $20m a year on "buyer protection programs" such as reimbursing buyers for fake goods bought on its site.

"We bear a serious responsibility in this fight against counterfeits," said Jonathan Lu, chief executive of Alibaba Group in a statement on Tuesday.

"Jack Ma [company's chairman] said yesterday - if e-commerce does well in China, that may have little to do with Alibaba Group, but if counterfeits in society are not tackled effectively, it has a lot to do with Alibaba Group."

The tech giant's retail businesses were listed on the US Trade Representatives list of "notorious markets" for intellectual property (IP) infringement until 2012.

China and Hong Kong accounted for 93 percent of the value of IP-infringing goods seized by US customs in the 2013 fiscal year, according to a government report.

While Alibaba has been aggressive in its push to remove knock-offs from its sites, the mission has been an uphill battle.

Takata president to step down after airbag safety recalls

BBC News

The president of Japanese airbag manufacturer Takata is to step down, amid widespread criticism of how the company handled recent safety crises.

Stefan Stocker presided over the firm during a period in which Takata airbags were linked to the deaths of five people.

Additionally, concerns that some of Takata's designs may be defective have led to widespread recalls. Since 2008, an estimated 24 million cars have been recalled worldwide.

Under certain conditions, Takata airbags can be set off with too much explosive force and potentially fire out metallic shrapnel.

The company has been heavily criticised by regulators in the United States for its slow response to the problems, which first came to light six years ago.

US minimum wage hikes to impact 1,400-plus Wal-Mart stores

Reuters, *Chicago*

MINIMUM wage increases across the United States will prompt Wal-Mart Stores Inc to adjust base salaries at 1,434 stores, impacting about a third of its US locations, according to an internal memo reviewed by Reuters.

The memo, which was sent to store managers earlier this month, offers insight into the impact of minimum wage hikes in 21 states due to come into effect on or around Jan. 1, 2015.

These are adjustments that Wal-Mart and other employers have to make each year, but growing attention to the issue has expanded the scope of the change. Thirteen US states lifted the minimum wage in 2014, up from 10 in 2013 and 8 in 2012.

Wal-Mart spokeswoman Brooke Buchanan said the company was making the changes to "ensure our stores in the 21 states comply with the law."

For Wal-Mart, the biggest private employer in the United States with 1.3 million workers, minimum wage legislation is not a small thing. Its operating model is built on keeping costs under close control as it attracts consumers with low prices and operates on tight margins.

In recent years, it has been struggling to grow sales after many lower-income Americans lost jobs or income in the financial crisis.

The Wal-Mart memo shows that there will be changes to its pay structure, including a narrowing of the gap in the minimum premium paid to those in higher skilled positions, such as deli associates and department supervisors, over lower grade jobs.

Wal-Mart will also combine its lowest three pay grades, which include cashiers, cart pushers and maintenance, into one base rate.

The changes appear in part to be an effort to offset the anticipated upswing in labor costs,

REUTERS/FILE

People march during a Black Friday protest against Wal-Mart in Long Beach, California on November 28.

according to a manager who was implementing the changes at his store.

"Essentially that wage compression at the upper level of the hourly associate is going to help absorb that cost of the wage increase at the lower level," said the manager, who spoke on condition of anonymity.

Wal-Mart's critics - including a group of its workers backed by labor unions - say the retailer pays its hourly workers too little, forcing some to seek government assistance that effectively provides the company with an indirect taxpayer subsidy. Labor groups have been calling for Wal-Mart, other retailers and fast-food chains to pay at least $15 an hour.

Wal-Mart has indicated it may make more changes to its compensation structure in 2015. Chief Executive Doug McMillon recently said the company would improve opportunities for workers, including getting the roughly 6,000 people who make the federal minimum wage of $7.25 an hour at its stores off that rate.

"In the world there is a debate over inequity, and sometimes we get caught up in that," he told TV presenter Charlie Rose in an interview this month. McMillon said he would take steps to ensure the company is "a meritocracy, an opportunity for people to do more."

The state minimum wage changes range from a 17 percent increase in South Dakota to $8.50 to a modest rise of 2 percent to $8.05 in Arizona. They will also impact many of Wal-Mart's big retail rivals, such as Target Corp, and fast-food chains like McDonald's Corp.

A Target spokeswoman said she could not provide details on how many employees might be impacted by the changes on Jan. 1. McDonald's could not be immediately reached for comment.

Wal-Mart estimates its average full-time hourly wage is $12.92, and says that it pays competitive wages and offers its employees ample opportunity for advancement.

Edward Jones analyst Brian Yarbrough said it is tough to estimate the cost impact of the minimum wage changes without knowing the number of Wal-Mart employees affected. While many employees might start out at the minimum rate, they advance to higher pay rates over time, he noted.

Wal-Mart said last month that investment in wages and higher health care costs drove a 3.5 percent increase in operating expenses in its most recent quarter. Wal-Mart is unlikely to cut staff or reduce hours to keep those costs in check, given that it has made a renewed push to improve service in its stores, Yarbrough said.