

Weak factory reports from Asia, Europe suggest more central bank action

REUTERS
THE global economy ended 2014 in a fragile state as factories struggled to maintain growth across Europe and Asia, business surveys showed, adding to pressure on central banks to implement more stimulus.

Ebbing price pressures across the continents offers room for the People's Bank of China and the European Central Bank to do more to drive up inflation and support growth.

"Growth really does appear to be stalling based on these indicators so certainly the pressure is on, although we are less worried about China," said James Knightley, senior global economist at ING.

On Thursday, ECB President Mario Draghi fanned expectations he would take bolder steps this month, saying the central bank stood ready to respond to the risk of deflation. Consumer price data for the euro zone due on Jan. 7 is widely expected to show a fall in annual terms.

"With inflation set to fall sharply further, given what is happening to energy costs, those concerns that Draghi highlighted suggests we are going to get quantitative easing," Knightley said.

The risk of a deflationary spiral, alongside a stagnating euro economy, will push the ECB to buy sovereign debt early in 2015, a Reuters poll showed last month.

The ECB council meets on Jan. 22 and markets are wagering heavily it will finally decide to start buying sovereign debt, a major reason the euro hit 4-1/2 year lows on Friday.



European Central Bank President Mario Draghi and European Euro and Social Dialogue Commissioner Valdis Dombrovskis (R) attend a euro zone finance ministers' meeting in Brussels recently.

Euro zone manufacturing concluded last year on a subdued note as output, new orders and employment all recorded sluggish growth. Also of concern to policymakers, activity was weak in Germany, Europe's largest economy, while the downturn also deepened in France, the euro bloc's second-biggest.

Markit's final December manufacturing Purchasing Managers' Index stood at 50.6, down from an earlier flash reading of 50.8 but beating November's 17-

month low of 50.1.

That is above the 50 mark that separates growth from contraction, but there was little sign of any improvement this month, with the subindex for new orders at just 50.2, leading factories to barely increase headcount in December.

British manufacturing expanded at a much weaker pace than expected in December, suggesting its contribution to the economic recovery ebbed further in the final months of 2014.

Global exporters should get

some relief as the U.S. shifts into higher gear, although they did not benefit as much from 2014's recovery in the world's biggest economy as they have in the past.

The US Federal Reserve has indicated it will start raising rates from rock bottom later this year as long as the economy continues to improve and unemployment falls further.

A US Institute for Supply Management measure of manufacturing is due later on Friday and is expected to show a still

strong reading around 57.6 for December.

ASIA BRAKES

China's massive factory sector looked to have sputtered in December and across the region manufacturers struggled with weak demand, both at home and abroad.

China's official PMI slipped to 50.1 in December from November's 50.3, its lowest level of the year.

While the PMI for China's services sector, which accounts for close to half of the economy, edged up to 54.1 from November's 53.9, many analysts suspect 2014 economic growth has undershot the government's 7.5 percent target, marking the weakest expansion in 24 years.

With factories able to make more than consumers wanted to buy, the pressure was intense to cut prices.

"The price measures show very strong disinflationary forces," said analysts at Nomura. "We expect more policy easing in the first quarter, including a 50-basis-point cut in the bank reserve requirement ratio, to shore up domestic demand."

In India, too, inflation has slowed to only 4.38 percent annually, the lowest since the government started releasing the data in 2012.

"With the disinflationary trend gaining ground, the Reserve Bank of India is expected to find space for some rate cuts in 2015," said Pranjal Bhandari, chief India economist at HSBC.

In South Korea, consumer prices grew at the slowest clip in more than 15 years in December, opening the door for further rate cuts there.

Lawsuit accuses Apple of storage sleight

AFP, San Francisco

APPLE on Friday faced a lawsuit accusing it of promising more available storage space than it actually delivers in iPhones, iPads, and iPod touch devices.

The suit filed early this week in US District Court in Northern California argues that while Apple touts 16 gigabytes of digital storage on lower price models of gadgets such as hot-selling iPhones, about a fifth of that is eaten up by the latest operating software.

The percentage of advertised space available for digital content such as photos, video, or music shrinks further when Apple gadgets built with eight gigabytes of storage are considered, the suit filed on behalf of two Florida men maintained.

The suit charges Apple with being deceptive in advertising that represents devices as having much more storage space than is really available to people who purchase devices.

Once Apple gadget owners reach limits to data storage, the California-based technology titan prompts them to pay monthly fees for digital locker space online at its iCloud service, according to the lawsuit.

"Using these sharp business tactics, (Apple) gives less storage capacity than advertised, only to offer to sell that capacity in a desperate moment, eg when a consumer is trying to record or take photos at a child or grandchild's recital, basketball game or wedding," the lawsuit maintained.

"Each gigabyte of storage Apple shortchanges its customers amounts to approximately 400-500 high resolution photographs."

Apple offers all iCloud users five gigabytes of free storage, which arguably offsets the amount that the lawsuit contends is eaten up by the operating system.

Attorneys behind the suit are seeking class action status along with punishments that include Apple turning over all profits from sales of gadgets at issue in the case.

Apple declined to comment for this story.

A suit filed in a trial court in Canada regarding how up front Apple was being with the actual amount of storage space in devices was dismissed. That dismissal was upheld on appeal in early 2012.



A gardener eats his meal alongside an installation at the business district in Mumbai on Friday. Consumer inflation fell to 4.38 percent in November 2014, down from October's 5.52 percent, after a weakening of global crude oil prices -- a key driver of inflation in India.

India factory output at 2-year high: survey

AFP, Mumbai

INDIAN factory output expanded at its quickest pace in two years last month, a key survey showed Friday, in a further sign that the economy is picking up under new Prime Minister Narendra Modi.

Banking giant HSBC said that its purchasing managers index (PMI) rose to 54.5 points in December, up from 53.3 in the previous month.

In the survey, which is seen as a harbinger of industrial expansion and economic health, a reading of more than 50 points suggests expansion while anything below indicates contraction.

"Manufacturing activity momentum accelerated to a two year high in December, led by a healthy increase in new orders," said Pranjal Bhandari, chief economist at HSBC.

The survey suggested a continuing sharp fall in input prices such as oil could create "space for some rate cuts" in 2015.

Earlier this month, the Reserve Bank of India hinted that it would be in a position to lower interest rates if price pressures continued to ease. But the survey sounded a cautious note on the pace of recovery in Asia's third-largest economy, saying it was "critical" that demand for investment goods, such as heavy machinery, outpaced demand for consumer goods.

China's Three Gorges dam 'breaks world hydropower record'

AFP, Beijing

China's Three Gorges dam has broken the world record for annual hydroelectric power production, more than a decade after it became the world's largest power plant, its operator said.

The Yangtze river power station generated 98.8 billion kilowatt-hours of electricity in 2014, the Three Gorges Dam Corporation said in a statement, topping the 2013 production from the Brazilian-Paraguayan Itaipu dam.

The amount of electricity generated by the Three Gorges plant is roughly equivalent to burning 49 million tonnes of coal, said Thursday's statement, thereby preventing 100 million tonnes of carbon dioxide emissions.

But concerns have been raised about the environmental and human cost of the huge project, which saw more than a million people moved before it opened around a decade ago.

Thousands remain in poverty, and China's government in 2012 made a rare admission that the treatment of migrants relocated for the dam was still an "urgent problem".

Campaign groups say it has damaged biodiversity, threatening the critically endangered Yangtze river dolphin.

The Three Gorges dam is the world's largest power plant by installed capacity with 22,500 megawatts, a third more than Itaipu, on the Parana river.



People use wooden mallets to break open a sake barrel (C) during a traditional way to celebrate a new year of business at a department store in Tokyo on Friday. Japanese shoppers queued up outside the store before the doors opened, with the hope of picking up "lucky bags" containing items worth three times their price tag, sold each year to celebrate the New Year during Japan's biggest holiday of the year.

GM adds another 92,000 vehicles to ignition switch recall

AFP, Washington

GENERAL Motors on Thursday announced a recall of more than 92,000 additional vehicles over ignition switch problems blamed for 42 deaths.

The largest US automaker has already recalled millions of cars over the defect, which could switch off a car's power steering and safety airbags while it is in motion.

It is also facing investigations by the US Congress, regulators and the Justice Department over why it waited more than a decade after first uncovering the ignition-switch problem to start recalling cars.

The latest recall affects some 83,572 trucks in the United States

from the 2011-2012 model year, as well as vehicles from 2007 to 2014 that were repaired with faulty parts.

Including vehicles in Canada and Mexico, the total number of recalls comes to 92,221.

Models affected include the Chevrolet Silverado, Avalanche, Tahoe, and Suburban, as well as the Cadillac Escalade and the GMC Sierra and Yukon.

Fewer than 500 vehicles are expected to have the defect, GM said in a statement, adding that, as of December 10, 2014, the company did not know of any accidents in the named models related to the problem.

GM said it discovered the issue through an internal review following returns of parts under warranty.

The company has set up an independent compensation fund for victims of the defect, run by attorney Kenneth Feinberg, with plans to pay \$1 million per fatality plus \$300,000 to each surviving spouse and possible beneficiary.

The GM fund was to accept compensation claims through December 31, but has since extended that deadline.

Lawyers for many victims have already filed a number of class-action suits that could cost the company far more than its promised payouts under the compensation program.

But the program offers victims the promise of earlier payouts, if they give up their right to sue once their compensation claim has been accepted.