

US is bright spot for Davos CEOs in troubled global economy

REUTERS, Davos, Switzerland

Chief executives are more worried than a year ago about the global economic outlook, as deflation stalks Europe and commodity prices wilt, but the United States stands out as a bright spot.

That is the verdict of a worldwide survey of more than 1,300 CEOs, released on the eve of the Jan. 21-24 World Economic Forum annual meeting in Davos, that also found business leaders still moderately confident in their own firms' ability to grow revenues.

Seven years on from the financial crisis that brought the global economy to the brink, there are a host of new geopolitical issues to worry about today, from turmoil in the Middle East to fighting in Ukraine to protests in Hong Kong.

Those confrontations all have economic knock-ons, adding to a wariness that has been compounded by recent market volatility, including a rocketing Swiss franc which has shocked locals in the ski resort of Davos.

"There's a fair amount of concern about the economy," said Dennis Nally, chairman of PricewaterhouseCoopers (PwC) International, which conducted the annual CEO health check.

"There's probably more negativity thus far in 2015, which is really a continuation of the theme from the fourth quarter of last year."

Just 37 percent of CEOs think global economic growth will improve in the year ahead, down from 44 percent last year, and 17 percent think growth will decline, more than twice as many as in 2014.

But when it comes to their own businesses, 39 percent of CEOs said they were "very confident" of growing revenues in the next 12 months, an unchanged reading from a year earlier and slightly up from 36 percent in 2013.



REUTERS

Workers set up logos of the World Economic Forum at the congress centre in the Swiss mountain resort of Davos on Tuesday.

See graphic link.reuters.com/buh83w

That steady internal confidence is helped by the fact executives see opportunities to use technology to move their companies into new business areas.

The pendulum has swung further away from many emerging markets over the past year, with the notable exception of India, where the arrival of pro-business Prime Minister Narendra Modi has made the country's CEOs the most confident in the world.

Russia, however, has plunged from top of the confidence table a year ago to having the gloomiest business leaders, as a tumbling oil price and Western sanctions take a heavy toll.

Confidence in China, too, is down and the country is no longer the automatic go-to market for multinationals.

Instead, for the first time since the question was asked five years ago, the

United States has overtaken China as CEOs' most important overseas growth market.

With the US economy some 7 percent larger than before the financial crisis and more jobs having been created than were lost, executives see a strong case for investing in a country that remains a hub of technological innovation.

That echoes a report earlier on Tuesday from the International Monetary Fund, which lowered its forecast for global economic growth in 2015 but raised it for the United States.

It rings true, too, for Barry Salzberg, global CEO of Deloitte, a rival to PwC in the audit and consulting business.

"You can sense that things in the US are getting better, while the euro zone has big economic challenges and China's economy has slowed," Salzberg told Reuters.

China's e-commerce transactions hit \$2tn in 2014

AFP, Beijing

China's e-commerce boomed in 2014 with transactions reaching around 13 trillion yuan (\$2.09 trillion), the government said Wednesday, as Beijing looks online for new drivers of growth.

The commerce ministry did not define transactions, beyond saying that the term included both business-to-business and retail transactions.

Spokesman Shen Danyang said in a statement that they grew 25.0 percent year-on-year in 2014.

China's National Bureau of Statistics said Tuesday that online retail sales alone were at 2.8 trillion yuan in 2014, up 49.7 percent.

China has the world's biggest online population -- 632 million last year -- and online shopping has exploded in recent years as consumers turned to the Internet for cheaper products and overseas goods that are believed to be safer than domestic options, such as baby formula.

During its 24-hour shopping promotion Singles Day on November 11, the country's e-commerce giant Alibaba said consumers spent a record \$9.3 billion, up 60 percent on 2013.

Obama says US, not China, must write trade rules

REUTERS, Washington

US President Barack Obama said on Tuesday the United States and not China must write trade rules for Asia and called on Congress to give the White House a freer hand to close trade deals.

Obama, who is pushing to overcome resistance to so-called fast-track authority from within his own party as well as conservative Republicans, said if China prevailed, US workers and businesses would be at a disadvantage.

"That's why I'm asking both parties to give me trade promotion authority to protect American workers, with strong new trade deals from Asia to Europe that aren't just free, but fair," he said in the State of the Union address, also acknowledging past deals had not always "lived up to the hype."

China is not part of the Trans-Pacific Partnership the United States is negotiating with 11 other trading partners, which aims to set common standards on issues such as workers' rights and the environment as well as lower trade barriers.

The Asian giant is instead pushing for faster progress towards a trade pact with the wider Asia Pacific Economic Cooperation (Apec) bloc.

Asked about Obama's comments, China's Foreign Ministry said on Wednesday the country was willing to work

with the US to resolve trade problems.

"We hope each side can put forth joint efforts to provide a fair, open and transparent trade and investment environment, and jointly work to make contributions to improving global investment rules," said ministry spokeswoman Hua Chunying in a daily briefing.

National Association of Manufacturers President Jay Timmons said fast-track which gives Congress a yes-or-no vote on trade agreements in exchange for setting negotiating objectives, would make trading partners take the United States more seriously and backed Obama's focus on China.

"I think it's important to note that there are countries all over the world, China included, that would like to take away America's mantle of economic leadership," he said.

Trade supporters and critics are already lobbying lawmakers on fast-track authority, and Maryland lawmaker Steny Hoyer, the second-ranking House Democrat, said the White House had to consider Democrats' concerns about trade deals hurting jobs and wages.

"The majority of Democrats right now are very hesitant, to say the least, and not at all sure that trade is good for working people," said Hoyer, who voted against fast-track in 2002 but has supported major trade deals.



REUTERS

Second from right, US first lady Michelle Obama reacts to cheers of the audience as she attends US President Barack Obama's State of the Union address to a joint session of Congress on Capitol Hill in Washington on Tuesday.



REUTERS

A woman looks at a gold bangle inside a jewellery showroom at a market in Mumbai. Indian gold importers are offering a discount of up to \$16 an ounce versus London prices, the widest in 17 months, as jewellers curtail purchases ahead of a possible cut in the import duty. India, which vies with China as the world's top gold consumer, raised import taxes on the metal to 10 percent in a series of hikes to August 2013 as policymakers scrambled to narrow a gaping current account deficit and arrest a free fall in the currency.

Bank of Japan slashes inflation outlook

AFP, Tokyo

The Bank of Japan on Wednesday slashed its inflation outlook as plunging oil prices dent efforts to slay years of deflation, but policymakers still boosted their growth forecasts and said the economy was rebounding.

The BoJ, which held off fresh easing measures after a two-day policy meeting, said inflation for the year starting in April would come in at 1.0 percent, well down from an earlier 1.7 percent forecast.

But the economy would expand by 2.1 percent, up from an earlier 1.5 percent forecast, it said.

The price downgrade underscores how reaching the BoJ's 2.0 percent inflation target by early next year looks unlikely, and it may ramp up expectations for another round of monetary easing to kickstart the world's number three economy.

"We continue to think that policymakers are too sanguine on inflation," said Marcel Thieli at Capital Economics.

"The chances of hitting the inflation target are slim without additional monetary stimulus."

BoJ chief Haruhiko Kuroda insisted that the bank was still on track to reach its goals, and that the BoJ never claimed it would hit its goal in exactly two years.

The target followed the launch of Prime Minister Shinzo Abe's growth project, dubbed Abenomics, in early 2013. Observers have widely interpreted the bank's original deadline as early next year.

"Given the drastic moves in crude oil prices recently, the timing could move forward or backward," Kuroda told reporters after the bank's policy meeting.

"We're saying (the timing) is centred on fiscal 2015, we're not saying within fiscal 2015," he added.

Beset by hardship, Iranians losing hope for future

REUTERS, Ankara

As prices of food, water and electricity rise further beyond reach, struggling Iranians are losing belief in their pragmatic president and his promise of a brighter future.

The country has been hit by the double hammer blows of persisting Western sanctions over its nuclear activities and plunging oil prices - but its leaders tell the people that adversity will make them stronger.

This offers scant comfort to many ordinary Iranians struggling to support their families as high unemployment and low wages take their toll.

They had pinned their hopes on President Hassan Rouhani, who won power in 2013 with pledges to improve the economy by ending the decade-long nuclear stand-off with the West - but a comprehensive deal has still not materialised.

"All these promises of improving the economy are just nice words," said Morad Rezaian, a father-of-five who owns a small grocery shop in the southern port city of Bandar Abbas.

"I can't feed my kids with empty promises."

Mid-way through Rouhani's first term, he has not only angered political hardliners who oppose any rapprochement with the US "Great Satan", but is losing the belief of many of the middle and lower-income Iranians who voted him in and are now shouldering much of the burden of the economic woes.

Many ships bringing grain have been turned back from Iranian ports over the past year because Tehran cannot pay suppliers, driving up food prices.

Ghanbar Emadi, a private-sector employee in the north-western city of Tabriz, said the cost of a loaf of "barbari" bread had risen by around a third in the past three months alone to 10,000 rials (\$3).

"Can we afford to buy goods? Of course not. Seems our leaders live in another country than we do when they talk about economic success."

For years OPEC member Iran has offset the damaging impact of sanctions with high oil revenues, with much of the country's food and many of the manufacturing parts used to assemble goods in its factories paid for with "petrodollars".

But crude prices have halved since June, slashing revenues and com-

pounding the effect of sanctions that have reduced Iran's oil exports by 60 percent to around 1 million barrels a day.

"They talk about improved economy - maybe on paper but not in reality. The price of goods is increasing fast and our purchasing power is declining," said 38-year-old housewife Masumeh Zandi in the Caspian Sea port of Rasht.

Rouhani's administration has repaired some of the economic damage caused mainly by sanctions, including stabilising the currency and using conservative monetary and fiscal policies to halve the official annual inflation rate to around 20 percent.

But more than a year after reaching an initial agreement with the six major powers over its nuclear programme, a final deal has not been struck to end the sanctions that have prompted the government to cut food and energy subsidies in a bid to ease squeezed state finances.

"I am not an economist but I know how much I am spending every month," said 42-year-old teacher Mahsa Hosseini in Tehran.

"The price of bread, electricity, water and natural gas is increasing. Why? We are an energy-rich country. What happened to all those election promises of Rouhani?"

The state of economy has always been a central factor in shaping Iran's political evolution since the country's 1979 Islamic revolution that toppled

the U.S.-backed Shah.

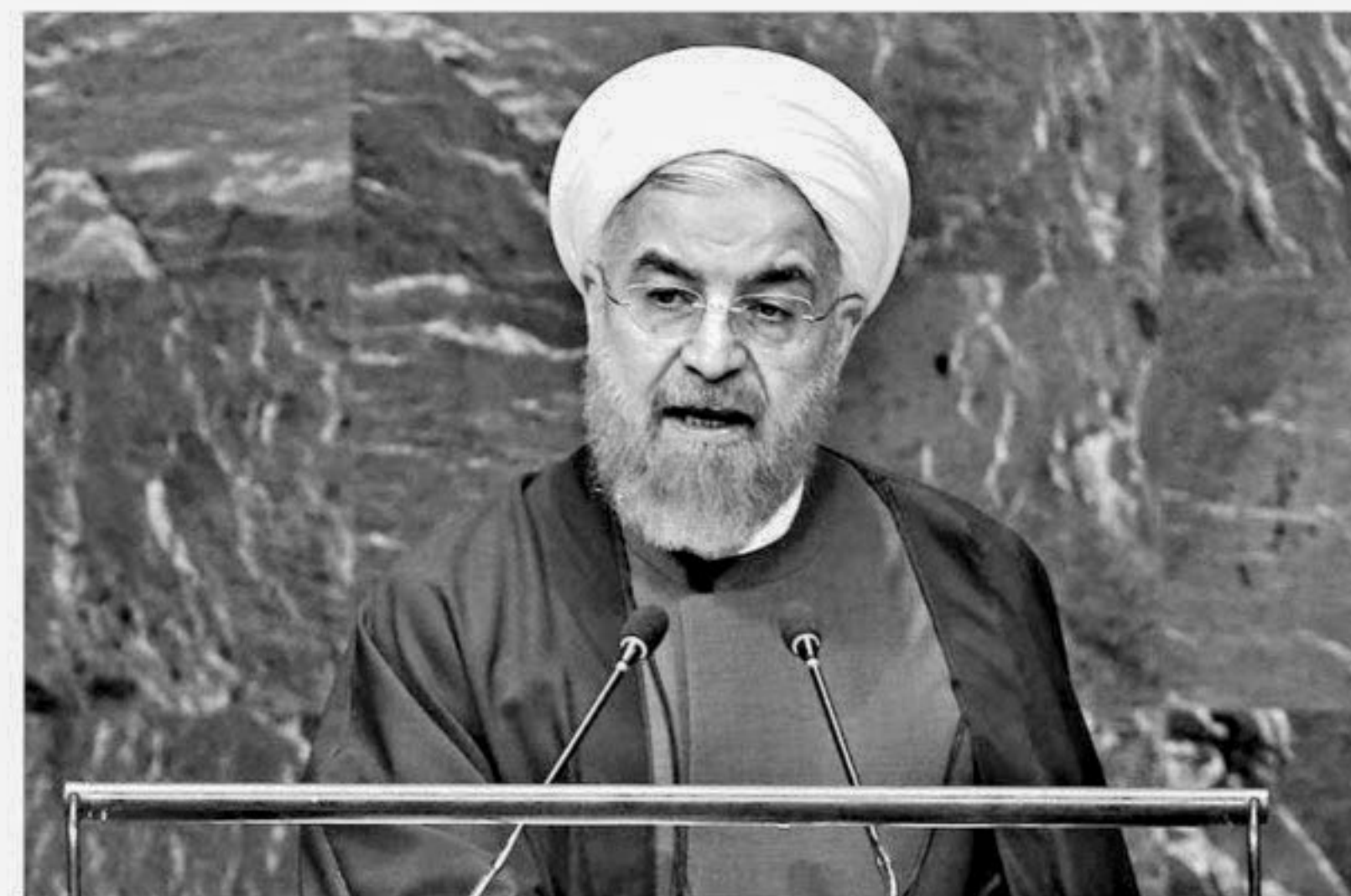
If Rouhani cannot make good on his promise to lift sanctions, he could lose the support of many Iranians and cede influence to hardliners in the country's complex political structure - leading to a deterioration in relations with the West, diplomats and analysts say.

"Rouhani's political career depends on improving the economy. The oil price fall is not helping the government. People are losing hope and in the streets people speak of little else but economic hardship," said a senior Western diplomat based in Tehran.

Under the interim nuclear accord Iran suspended its most sensitive nuclear work in return for easing some economic sanctions. But major foreign investments have not taken place because of continued uncertainty on whether sanctions will be eased further.

Over 15 percent of workers are unemployed and many jobs pay a pittance. Lifting sanctions would trigger a fresh round of private-sector investment and is the key to rescuing Iran's economy, analysts say.

"No one really wants to do business in Iran. Everything depends on the nuclear deal. With the oil prices going down every day, lack of a final deal means we will suffer more," said 32-year-old Mohammad Reza, a real estate agent in the central city of Isfahan who declined to give his surname.



REUTERS/FILE

Iranian President Hassan Rouhani addresses the 69th United Nations General Assembly at the United Nations Headquarters in New York on September 25, 2014.

West trying to throttle Russia's economy

Says Russian President Vladimir Putin's spokesman in an interview

AFP, Moscow

Western countries are trying to use the Ukraine conflict to topple President Vladimir Putin and wreck Russia's economy, the president's spokesman said in an interview published yesterday.

"In the West they are trying to kick out Putin, to isolate him in international politics, to throttle Russia economically due to their interests, to bring down Putin," Kremlin spokesman Dmitry Peskov said.

"If it was not for Crimea, they would think up another reason," Peskov claimed in an interview with Argumenty i Fakty weekly.

He insisted that Russia's economic situation was under control despite "illegal sanctions" over its annexation of Crimea and support for separatist rebels in eastern Ukraine, which along with low oil prices have led to the ruble plunging in value.

"I'll remind you what Putin said (in December): everything is under control, we know what to do, how to do it, and we have everything we need to do it."

Peskov said Russia could not resolve the crisis in Ukraine as the West demands.

"Everything that Russia can do to end the conflict, it is already doing," Peskov said,

pointing to humanitarian aid and supplies of coal and electricity. "But Russia cannot resolve this conflict within Ukraine."

He said that Kiev needs "to start talking to its own regions." "Germany, France, Russia and the OSCE can act as guarantors for a settlement," Peskov added.

"We hope the Minsk group will continue its work and as a result there will be grounds for a meeting of leaders... which is planned to be held in Astana. But the meeting will only happen if it can give some concrete results," he said.

Peskov conceded that despite euphoria over Crimea's annexation, Russia was in "an anxious state" due to "open confrontation from countries in the West -- an ideological, media, political and diplomatic (confrontation) but thank God not a military one."

"This confrontation makes us all expect a crisis," Peskov said. The events in Ukraine "tore off the masks from international diplomacy," he added.

He cited German Chancellor Angela Merkel as saying in an interview last week that Putin should not expect an invitation to a G7 meeting because the countries within it shared common values.

"By the way, Putin isn't expecting one," Peskov added.