No big bang, but Indian budget goes for growth, investment

REUTERS, *New Delhi*

INDIAN Finance Minister Arun Jaitley yesterday unveiled a budget that aims to ramp up growth, aided by a slowed pace of fiscal deficit cuts and a raft of tax measures to put private domestic and foreign capital to work.

In his first full-year budget since Prime Minister Narendra Modi's landslide election victory last May, Jaitley said India's economy was about to take off. Modi tweeted that the budget would "further reignite our growth engine".

The budget was a test of the nationalist premier's willingness to reform a $2 trillion economy with a bloated public sector and weak private investment, obstacles to delivering on his pledge to voters of "better days".

While seeking to spark an investment-led boom, the budget was short on structural reforms, with the government leaving major welfare schemes untouched and only cutting fuel subsidies thanks to a collapse in international oil prices.

"People who urged us to undertake 'big bang' reforms also say the Indian economy is a super giant, which moves slowly but surely," Jaitley told parliament as he wrapped up a 90-minute speech.

"Even our worst critics would admit we have moved rapidly," he said.

Jaitley promised higher investment in India's decrepit roads and railways, offered the carrot of corporate tax cuts to global corporations and the stick of tighter compliance rules to get Indian tycoons to invest at home rather than stash wealth abroad.

REUTERS

People watch television sets displaying India's Finance Minister Arun Jaitley presenting the budget in parliament, at an electronics shop in the northern Indian city of Chandigarh yesterday.

Although Jaitley forecast that growth would accelerate to 8-8.5 percent in the fiscal year starting in April, up from 7.4 percent this year, businesses have yet to respond to Modi's call to "Make in India".

ROOM FOR RATE CUTS?

Jaitley forecast inflation at 5 percent by the end of the fiscal year ending March 2016, undershooting the Reserve Bank of India's 6 percent target and creating room to cut interest rates. Annual inflation was 5.1 percent in January.

But he pushed back by a year, to 2017/18, a deadline for cutting the fiscal deficit to 3 percent of gross domestic product. In 2015/16, the deficit will be 3.9 percent of GDP, above the 3.6 percent target inherited from the last government.

In volatile trading, the 50-share Nifty gained as much as 1 percent as Jaitley gave an upbeat economic outlook, but went into the red on his comment that the fiscal deficit would slip, and traded 0.4 percent lower after his speech.

Radhika Rao, an economist at DBS in Singapore, said the deficit slippage was unlikely to draw the immediate ire of credit-rating agencies, and she expects the private sector to follow the lead set by the government, which is hiking capital investment by a quarter to $39 billion.

"Today's budget was pragmatic, wide-ranging and inclusive," Rao said.

CARROTS AND STICKS

India's budget concentrates a year's economic policymaking into a single speech, and the range of measures Jaitley announced included a monetary policy overhaul, a bankruptcy code and the creation of a public debt management agency.

The 62-year-old finance minister, who underwent surgery last year to treat diabetes, sat down around 20 minutes into his speech and gave the rest from the government's front bench.

In a key passage, Jaitley said he would cut the tax on company profits to 25 percent over four years from the current 30 percent, high by international standards.

A national goods and services tax would enter force, as planned, in April 2016 but a controversial set of new rules to fight tax avoidance would be delayed by two years, he said.

Jaitley scrapped a distinction between direct and portfolio investors, in a move designed to encourage foreign investors to take strategic stakes in Indian companies. He also simplified regulation of financial markets.

"This is a forward-looking budget," said Krupa Venkatesh, a partner at Deloitte. "This clear statement of intent should bring cheer to industry."

ROAD AND RAIL

Reaping the benefits of low global prices for oil, India's main import, Modi's government says India is in a sweet spot with spare cash to modernize its creaking infrastructure.

Jaitley announced an increase of 700 billion Indian rupees ($11.4 billion) in road and rail investments next year and announced that the government would commission five "ultra-mega" generation projects to end chronic power shortages.

The government shied away from politically sensitive cuts in its $37 billion subsidy bill, seeking instead to boost efficiency of a rural jobs scheme that's India's costliest welfare programme. It will also boost direct welfare payments into bank accounts, and gradually replace benefits in kind.

"My proposals... lay down the roadmap for accelerating growth, enhancing investment, passing on the benefit of growth process to the common man, woman, youth and child," said Jaitley. "This is the path we will doggedly and relentlessly pursue."

Phone firms look beyond the handset at top mobile fair

AFP, *Madrid*

Phone makers will seek to seduce new buyers with even smarter Internet-connected watches and other wireless gadgets as they wrestle for dominance at the world's biggest mobile fair starting Monday.

Along with the launches of numerous new smartphones -- dominated by South Korean giant Samsung -- tech firms are trying to conquer users' bodies and connect their environments.

Several makers are set to unveil new "smartwatches", some of which will have users chattering into their cuffs or getting on-wrist email updates, at the four-day Mobile World Congress in Barcelona in northeastern Spain.

Tech executives and regulators will meanwhile seek to chart a course for a new age of wireless networks that could lead to billions of objects being connected, from cars to refrigerators.

"It's a showpiece for smartphones in the short term, but it'll go way beyond smartphones," said Nigel Major, a top executive at tech group Laird.

"The most exciting trend we can see is the proliferation of connected devices everywhere we go. Ten years from now, virtually everything you're looking at will have the potential to be connected."

On Sunday evening, Samsung is expected to unveil its Galaxy S6 smartphone, the larger Galaxy S6 Edge "phablet", and the latest in its series of watches.

Samsung is the world's biggest seller of smartphones but saw its share of the world market fall in 2014 from 34 percent to 20 percent, according to research group IDC.

It faces a squeeze by Chinese phone makers on one side and on the other by US titan Apple, which released its iPhone 6 last year.

Apple, as usual, is steering clear of the show in Barcelona, but is set to launch its own smartwatch in April. Several other Asian heavyweights also plan launches of "wearable" gadgets on the eve of the congress, such as Korean firm LG, Chinese contender Huawei and Taiwanese makers Asus and HTC.

Designers have come up with numerous gadgets that can connect to an application on your mobile, from popular "fitness tracker" wristbands to measure your heart rate to sex toys.

Now they hope some big product launches this year can make smartwatches a mainstream gadget and boost sales of other wearables.

This year could be a "tipping point for wearables", research firm CCS Insight said in a report.

In Barcelona, "low-cost smartphones will feature prominently, as will wearables," it said. "We expect an avalanche of new products."

NY regulator puts 3 European banks in FX probe

AFP, *Washington*

THE New York state financial regulator has subpoenaed three major European banks and a US peer in a probe of foreign-exchange rigging, sources close to the situation told the news agency on Friday.

The sources, speaking on condition of anonymity, said that the regulator, Benjamin Lawsky, had sought information about currency practices from French banks BNP Paribas and Societe Generale. One of the sources said Credit Suisse and Wall Street bank Goldman Sachs were also targeted.

The subpoenas, served in December to BNP Paribas, Societe Generale, Goldman Sachs and Credit Suisse, ask the banks for documents related to their currency operations, said one of the sources, adding that Lawsky was particularly interested in finding out the specific technologies the banks used.

Lawsky is investigating the use of chat rooms and instant messaging by forex traders to rig the price of currencies on the market.

The four banks are cooperating with Lawsky, the person said.

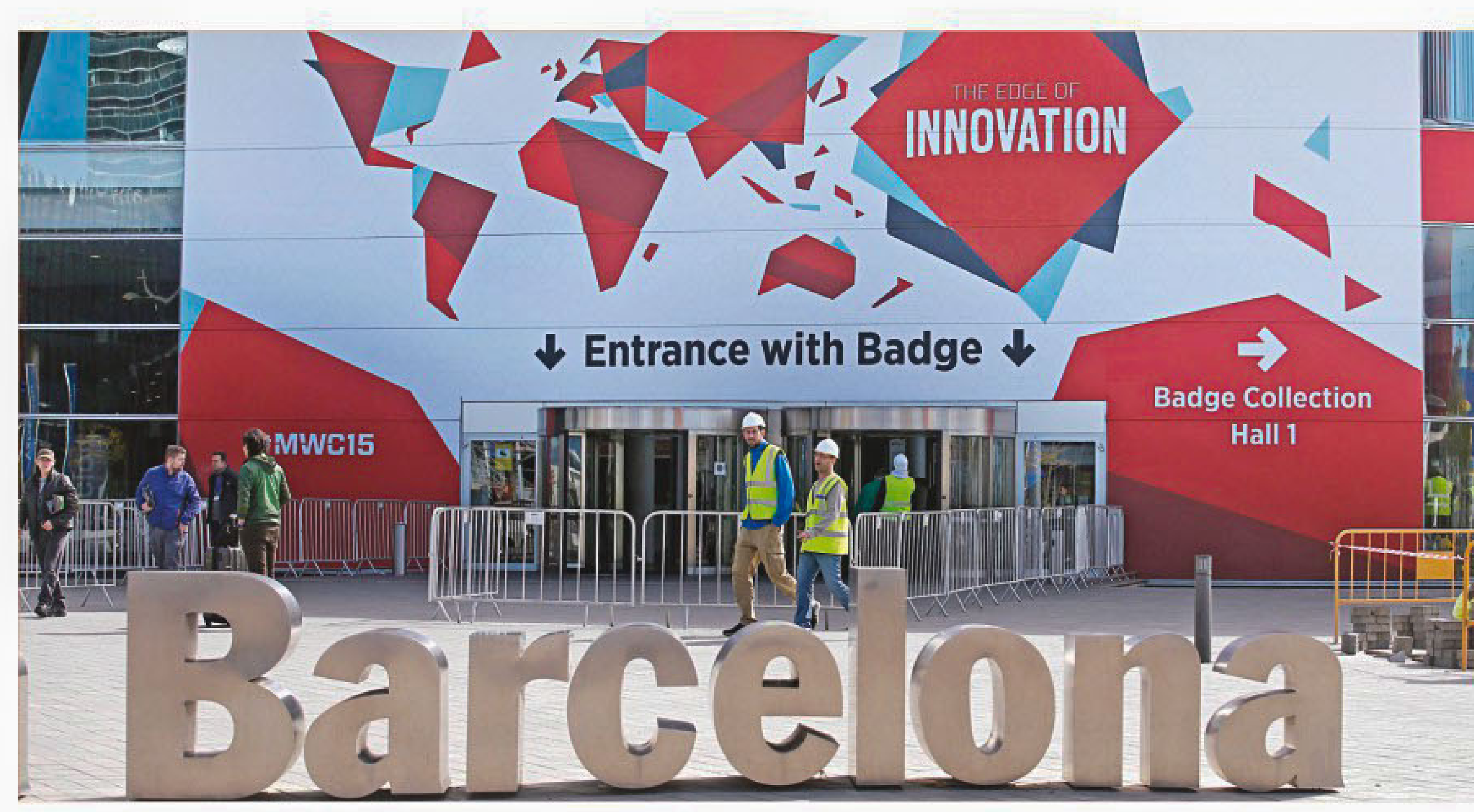
Societe Generale was not immediately available to comment. Lawsky's office, BNP Paribas and Credit Suisse declined to comment.

The overall currency investigation began two years ago amid suspicion that Wall Street traders manipulated foreign-exchange prices in line with their own interests.

Lawsky's ongoing investigation of Barclays in the forex affair is currently holding up an agreement between the British bank and other US and British regulators, the sources said.

Lawsky, who has the authority to revoke a bank's license to operate in New York state, is balking at a global settlement deal sought by Barclays.

In November, six banks moved to close the first phase of the case. They agreed to pay a combined $4.25 billion in fines to settle with financial regulators in Washington and Britain. The settlement included JPMorgan Chase, Citigroup, Royal Bank of Scotland, UBS and HSBC.



REUTERS

Workers walk past the entrance of the Mobile World Congress in Barcelona on Friday. The GSMA Mobile World Congress, representing the interests of the worldwide mobile communications industry, will take place from March 2 to 5 in Barcelona.

Hong Kong's ageing master tailors need a stitch in time

REUTERS, *Hong Kong*

BILL Clinton did it. So did Boris Johnson, the mayor of London. For many tourists, even if they are not former US presidents, a trip to Hong Kong isn't over till they pick up a made-to-measure outfit from one of its family-run tailor shops.

As consumers worldwide seek out custom-made clothing to set them apart from the ready-to-wear crowd, the Hong Kong bespoke industry's reputation for quality and speedy delivery ought to have helped the former British colony build on its advantage.

Instead, the local tailoring business is in danger of dying out after decades of underinvestment in the face of competition from low-cost centres such as mainland China. Nor has it matched the premium branding enjoyed by London's Savile Row and Milan.

Hong Kong's ageing army of tailors may be its last: years of training for demanding and painstaking work that yields low wages deters young people from entering the industry.

At 65, Cheung Wan-sun is among the younger master tailors at Bonham Strand, a bespoke tailoring firm in the Central business district.

"There will be no one to take over the business when we're all retired," said Cheung, one of eight tailors at the firm. "It's not easy to make a living as a tailor."

REUTERS

Tailors work at a workshop at Hong Kong's Tsim Sha Tsui shopping district.

The profession doesn't pay too well, with tailors taking home around HK$10,000 ($1,290) a month, half the median wage.

While the government pledged HK$500 million ($64.5 million) in its budget on Wednesday to help the city's fashion industry, including promoting local designers and brands, master tailors have been left to fend for themselves.

"It doesn't provide any help to the tailoring industry," said Yally Yan, 24, an apprentice at Bonham Strand.

"To revive the industry, we have to do it ourselves." Some tailors have thrived through canny marketing of their sales to celebrities or whistle-stop world tours with marathon measuring sessions in hotel suites.

Anthony Asaf, of Empire Tailors, whose clients include judges and senior executives, sells more suits during his infrequent U.S. trips than from his main outlet in Hong Kong.

"As far as overseas business goes, we do as much as we can, not more, because there aren't many young people doing the cutting, stitching end of the process," said Mark, Asaf's 26-year-old son.

Demand is still robust. It's just that most orders are from overseas and busy executives place orders by phone or online.

A decade ago, new suits were delivered in three weeks. Now, skilled tailors are in short supply and it takes up to 12 weeks.

Tailored suits start at around $600 in Hong Kong, less than half the price for an entry-level outfit in Savile Row or Milan. Both European centres have successfully revived once-declining sectors by focusing on high-end consumers, brand building and ploughing revenue back into training programmes.

Hong Kong's government-funded Clothing Industry Training Authority offers a part-time foundation course in men's suit tailoring that costs HK$14,000 ($1,805), about two months' wages for an apprentice tailor.

Regular customers say the shortage of gifted tailors could be just what Hong Kong needs to pump new life into the industry, pushing up prices and drawing a new generation to the trade.

"The pricing for premium tailors will go up," said Sebastian Svensson, managing director of Lifestyleasia.com, as he gets a suit fitted in the shopping district of Tsimshatsui East.

"Hopefully, supply and demand will adjust that moving forward."

Airbus profits take off in 2014

AFP, *Munich, Germany*

Airbus Group said Friday its net profit soared 59 percent in 2014 thanks to record deliveries of passenger jets and that it expects revenue and operating profits to climb further this year.

The company, best known for its passenger jets, chalked up a net profit of 2.34 billion euros ($2.6 billion), which would have been even better had it not been for a provision of 551 million euros for delays to its A400M military transport plane.

That writedown was mostly compensated for however with an exceptional gain of 383 million euros due its sale of an 8 percent stake in Dassault Aviation, as well as its holdings in Finnish defence company Patria.

Operating profits climbed 54 percent to 4 billion euros, and it said this measure of earnings does not include exceptional items and that it expects a slight increase in 2015.

Sales, which are booked when aircraft are delivered, rose by 5 percent to 60.7 billion euros to what Airbus said was a record level, even though orders slumped by 23 percent to 166.4 billion.

Airbus' order book nevertheless increased by 26 percent to stand at 857.5 billion euros at the end of last year.

"We achieved a significant improvement in profitability and cash generation in 2014 thanks to a record order book and strong operational performance in most areas," chief executive Tom Enders said in a statement.

"We delivered more commercial aircraft than ever before, including the first A350, and our net orders were, once again, more than twice the number of deliveries," he added.

The company said it expects deliveries to increase slightly this year and the order book to grow further.