India's economy recovering, reforms vital: IMF

REUTERS, *New Delhi*

INDIA'S economy is recovering and its ability to withstand external shocks has improved, but growth is likely to fall short of government targets, the International Monetary Fund said on Wednesday.

In an annual report, the IMF forecast that Asia's third-largest economy would grow by 7.5 percent in the 2015/16 fiscal year that starts on April 1, up from 7.2 percent in the year now ending.

That is less optimistic than the forecasts in Indian Prime Minister Narendra Modi's annual budget, which foresees growth of up to 8.5 percent in 2015/16 - making India the world's fastest-growing large economy ahead of China.

"The Indian economy is reviving, helped by positive policy actions that have improved confidence and lower global oil prices," the Washington-based lender said, adding: "To continue on this trend, India needs to revitalize the investment cycle and accelerate structural reforms."

Both the IMF and the government forecasts are based on new methods for calculating gross domestic product that have raised the reported growth rate but led to a slight downward revision in the size of India's $2 trillion economy.

The IMF's mission chief for India, Paul Cashin, said India's balance of payments position was comfortable thanks to a fall in gold imports and the price of oil. Investments in power and transport projects were starting to pick up.

The IMF praised Modi's government for backing inflation targeting as the main goal of monetary policy in a recent deal with Reserve Bank of India Governor Raghuram Rajan.

Cashin said there would be room for the RBI, which has cut interest rates twice already this year, to ease policy further and still achieve its goal of bringing down consumer inflation to 6 percent in early 2016.

Hitting the RBI's medium-term inflation target of 4 percent, within a band from 2-6 percent, would be "quite a challenging target to achieve", he told a conference call with reporters, given the supply bottlenecks that constrain businesses in India.

With 100 million people joining India's workforce in the next decade, India needs to do more to address bottlenecks in energy, power and mining, and to fix gaps in infrastructure, the IMF report said.

The Fund also urged the passage of reforms to land acquisition laws now before parliament; improvements in the efficiency of a state food aid scheme; greater flexibility in labour markets and improvements in education.

Modi swept to power last May on a pledge to boost growth and job creation in India, but the 64-year-old prime minister has faced challenges to enact his economic agenda because the opposition controls parliament's upper house.

REUTERS/FILE

Commuters travel past Reserve Bank of India's Kolkata office.

Alibaba in funding talks with Snapdeal

REUTERS, *Shanghai/Mumbai*

Alibaba is in talks with Indian online marketplace Snapdeal over a potential cash investment, a source familiar with the negotiations said, in what would be the Chinese e-commerce giant's first direct investment in India.

Snapdeal competes in India with bigger rivals Flipkart.com and Amazon.com, and media reports have said it is seeking $1 billion in its latest funding round to fuel growth. In October last year, Snapdeal secured a $627 million investment from Japan's Softbank, itself an early backer of Alibaba.

The source, who declined to be named as talks are not public, said on Wednesday that negotiations were "ongoing", confirming Indian media reports. The source said Alibaba was "looking, but there's still no deal".

A second source familiar with the matter confirmed the two sides had spoken in the past and said investor interest was "high", but gave no detail on any current negotiations. Snapdeal declined to comment.

Alibaba has been eyeing India for months, but has yet to invest directly in the e-commerce space. Ant Financial, an affiliate of Alibaba controlled by senior Alibaba executives, bought a 25 percent stake in the Indian payment services provider behind Paytm last month.

From fragile five to troubled trio

REUTERS, *London*

SOUTH Africa's rand, Turkey's lira and Brazil's real suffered some of the steepest losses in the recent emerging-market rout. Their peers in the so-called fragile five, India and Indonesia, escaped with less damage.

The five countries got their name in 2013, as hints emerged that the US Federal Reserve would end its easy-money policy. Bound together by sizeable current account deficits and reliance on foreign capital, they looked vulnerable to shocks such as a strong dollar and rising US interest rates.

In the latest emerging-market sell-off, Brazil has lost as much as 15 percent and Turkey 11.5 percent since the start of the year.

"The poor performance of the Brazilian real, Turkish lira and South African rand reflect continued strains in each country's balance of payments," Capital Economics said in a recent note.

India has improved its current account deficits, becoming less reliant on foreign funds to prop up its economy. Indonesia also looks in better shape than Brazil, Turkey and South Africa. India and Indonesia had elections last year that led to reforms which investors hope will invigorate growth.

But in Brazil incumbent Dilma Rousseff was re-elected, and with the government engulfed in a corruption probe, doubt remains whether she can push through fiscal consolidation.

"Brazil has a kind of accumulation of everything that's bad for investment – an ugly growth forecast, large twin deficits and high inflation," said Patrick Mange, head of global emerging markets strategy for BNP Paribas Investment Partners.

In Turkey, pressure from President Tayyip Erdogan on the central bank to cut interest rates has weighed down the lira.

REUTERS/FILE

People ride a double bicycle past a logo of the Alibaba Group at the company's headquarters on the outskirts of Hangzhou, Zhejiang province.

REUTERS

US Secretary of State John Kerry (L) meets Saudi King Salman bin Abdulaziz al-Saud at Diriyah Farm in Diriyah on March 5.

King Salman pledges to maintain stability, create jobs

REUTERS, *Riyadh*

Saudi Arabia's King Salman said he would fight corruption, diversify the economy and confront anybody who challenged the stability of the world's top oil exporter in his first big speech since taking power on Jan 23.

His speech, carried on state television, focused on the need to create private sector jobs for young Saudis, a main policy goal for many years as Riyadh strives to meet a looming demographic challenge while controlling public spending.

Addressing the chaos threatening the kingdom from around the region, he said no one would be allowed to tamper with Saudi Arabia's security or stability.

China data hits multi-year lows, boosting stimulus hopes

AFP, *Beijing*

CHINESE output, retail and investment growth have all fallen to multi-year lows, official data showed Wednesday, the latest anaemic indicators to raise expectations of more government support for the world's second-largest economy.

Industrial production, which measures output at China's factories, workshops and mines, rose 6.8 percent year-on-year in January and February, the National Bureau of Statistics (NBS) said.

That was the lowest for six years, since a reading of 5.7 percent in December 2008, and fell short of a median forecast for growth of 7.7 percent in a survey of economists by Bloomberg News.

Retail sales, a key indicator of consumer spending, gained 10.7 percent during the first two months from the year before, the NBS said, the worst performance since 9.4 percent in February 2006.

And fixed asset investment, a measure of government spending on infrastructure, expanded 13.9 percent during the period, the NBS added -- the lowest for 13 years, since 13.7 percent for the whole of 2001.

The data are the latest snapshot of strains in the Asian colossus, a major driver of the global economy which is in a delicate transition phase away from decades of double-digit annual growth to a new, slower model that authorities say is more sustainable.

"Overall, core activity data confirm weakening growth momentum," Nomura economists wrote in an analysis of the data, attributing it to the ailing property sector and overcapacity in manufacturing.

"To offset the headwinds to economic growth, we now expect monetary policy to be loosened even further."

The NBS released statistics covering two months to ease out distortions due to China's Lunar New year holiday last month.

China's gross domestic product (GDP) expanded 7.4 percent last year, the worst result since 1990, and last week leaders lowered the country's 2015 GDP growth target to "approximately seven percent," from last year's objective of about 7.5 percent.

Data so far this year have indicated a further slowing and the People's Bank of China cut benchmark deposit and lending interest rates in late February for the second time in three months, citing "historically low inflation".

In a separate statement elaborating on the data, NBS expert Guo Tongxin said China was buffeted by divergent forces.

"Traditional economic drivers are clearly losing momentum while new drivers continue to emerge," Guo said.

The Shanghai Composite Index, China's benchmark share market, closed up 0.15 percent to 3,290.90.

ANZ economists Liu Li-Gang and Zhou Hao wrote in a reaction that monetary policy loosening has had limited effect so far.

Sweden's Ericsson to slash 2,200 jobs

AFP, *Stockholm*

Swedish telecoms group Ericsson plans to cut some 2,200 jobs as part of a major cost-cutting and restructuring exercise, the company said Wednesday.

Its "cost and efficiency" programme, first announced in November, "includes both headcount reductions as well as savings in external costs across the company's operations globally," a statement said.

"Today Ericsson is announcing that 2,200 positions in Sweden, mainly in R&D and supply, are subject to notice," the telecoms equipment maker said.

Ericsson employs nearly 120,000 people worldwide.

CEO Hans Vestberg told the TT news agency "there are two reasons (for the cuts), on the one hand a structural change in production and research and development, on the other, improvements in efficiency."

Swiss makers quietly gear up with smartwatches of their own

REUTERS, *London/Frankfurt*

TO observers of the secretive Swiss watch industry, its quiet, seemingly passive response to Apple Inc's plan to attack their centuries-old business could be mistaken for submission before an overwhelming adversary.

But luxury and fashion groups Richemont, LVMH, Swatch Group and Guess Inc have been busy in the past year tinkering with smartwatches of their own, while aiming to preserve their products' more timeless appeal.

When Apple Watch was first announced last September, some experts dismissed such devices as appealing to a different class of customer - those who prize technology over prestige.

Now analysts and industry executives are starting to think that maybe the Apple Watch juggernaut will stoke sales of luxury timepieces among younger consumers used to telling the time with their phones, rather than on their wrists.

"Apple has the potential to make the watch cool again," said CCS Insight mobile analyst Ben Wood, a confessed wearable gadget freak. "I think the Swiss watch industry is going to be absolutely delighted."

Swatch - which has dabbled with smartwatch experiments for more than a decade and already makes components for fitness band wearable devices, has told Swiss newspapers it is gearing up to offer smartwatches of its own in the next few months.

"Apple is not the only company which is about to toss a smartwatch on the market," Nick Hayek, chief executive of Swatch, the world's largest watchmaking group, told SonntagsBlick in January. "This is not a threat but a huge opportunity for us and the Swiss watch industry."

On Monday, Apple revealed that its line-up of watches will go on sale in April. The entry-level Apple Watch Sport will start at $349, the standard version at $549 and the high-end "Edition" watch at $10,000.

The upcoming Swatch Smartwatch will include a chip that allows users to make contactless payments with a swipe of the wrist. It will use long-lasting batteries and work with both Apple and Google-based phones, according to news reports.

While the Apple Watch has drawn rave reviews for many of its features, its limited battery life of no more than 18 hours before re-charging is considered a big drawback.

The threat of the smartwatch may also be limited due to its short shelf life as a hi-tech, frequently upgraded product.

An iPhone tends to lose half its value within the first year after it is introduced, while Rolex's flagship Submariner model has risen in value, analysts at Berenberg Bank noted in a recent report.

Montblanc, owned by Richemont, announced in January the launch of the TimeWalker Urban Speed e-strap watch, which combines a traditional mechanical watch with an interchangeable strap containing a Bluetooth connected device.

That offers "the best of both worlds", according to Berenberg's luxury goods analyst, Bassel Choughari. He said this is less risky than the strategy of LVMH's Tag Heuer, which has partnered with an as-yet-undisclosed US tech company to produce a watch outside Switzerland.

"It creates a bit of a grey area between Swiss-made and probably made-in-China products, so that could be a bit difficult to manage over time," Choughari said of the danger to brands.

Guess Inc has also announced plans to launch a smartwatch line called Guess Connect later this year.

The new models, which come in sporty and jewel-encrusted versions, will link wirelessly to a user's nearby Apple or Google Android smartphone. Guess says these will be compatible with thousands of existing mobile phone apps and can be controlled from the watch using voice activated commands.

Fossil Group, another US-based fashion group, has toyed with smartwatches since 2003. A year ago, it said it would produce a smartwatch based on Google's Android Wear software, and in September, it said it had partnered with chipmaker Intel Corp.

It too early to know whether the Apple Watch, whose price tags run as high as $17,000 for its yellow or rose gold models, will steal share from the Swiss industry, which sells about 30 million watches a year.

The threat that Apple will cannibalise existing watch demand is most acute for Swatch, analysts say, because it has the highest proportion of products selling for a few hundred dollars, instead of several thousands as high-end names do.

If Apple sells 20 million watches in the first year, as some analysts estimate, and all of those purchases divert buyers from other watch brands, Swatch could suffer a 6 percent hit to annual revenue, according to a calculation by Barclays analysts.

REUTERS

Model Christy Turlington Burns (L) speaks to Apple CEO Tim Cook about the Apple Watch during an Apple event in San Francisco, California on Monday.