ADB trims China, developing Asia growth forecasts

AFP, *Manila*

The Asian Development Bank Thursday trimmed its growth forecasts for China and developing Asia this year and next owing to weakness the world's number two economy.

However, it said a pick-up in investment and the removal of red tape in India's economy would continue to boost growth in the country but urged New Delhi must continue with its reforms.

After a slow first half, full-year gross domestic product (GDP) growth in China is now estimated at 7.0 percent this year and 6.8 percent next year, the Manila-based lender said in a statement.

That compares with its March estimate of 7.2 percent in 2015 and 7.0 percent next year.

"Slower growth in (China) is likely to have a noticeable effect on the rest of Asia given its size and its close links with other countries in the region," chief ADB economist Wei Shang-Jin said.

Weaker-than-expected external demand, a declining working-age population and rising wages were all factors in the slowing growth of the Asian economic powerhouse, he added.

Beijing on Wednesday said its economy grew 7.0 percent in April-June, the same as the previous three months and in line with its target for the year. However, that would mark the slowest pace since 1990, a year after the Tiananmen Square crackdown.

Developing Asia as a whole is now expected to grow 6.1 percent this year and 6.2 percent in 2016, the ADB said, slower than the 6.3 percent previously predicted for each year.

AFP

People buy food at a market in Beijing, China. The full-year GDP growth in China is now estimated at 7 percent this year and 6.8 percent next year, ADB said.

Inflation was revised down to 2.4 percent from 2.6 percent this year, with the 2016 forecast of 3.0 percent unchanged.

Softness in major industrialised economies should lead to growth in East Asia -- including China, Taiwan, South Korea and Hong Kong -- to ease to 6.2 percent this year instead of 6.5 percent, the bank said.

It did not say if its 2016 forecast of 6.3 percent growth for the sub-region was changed.

Forecasts for India were unchanged at 7.8 percent in 2015 and 8.2 percent in 2016, backed by a healthy monsoon and new investments.

Growth next year will be driven by continued service-sector expansion and "the removal of procedural bottlenecks that have hampered investment", the bank said.

However, it added "risks to growth prospects could emerge from further delay in passing some legislation crucial to easing land acquisition for industry and to implementing a uniform goods and services tax".

India's advance would help South Asian growth rise to 7.3 percent this year instead of 7.2 percent, the ADB said, with better-than-expected growth in Bangladesh balancing a quake-induced slowdown in Nepal.

In 2016 the sub-region should grow 7.6 percent, unchanged from March's forecast.

Southeast Asia's economic growth forecast was cut to 4.6 percent this year from 4.9 percent, and 5.1 percent next year from 5.3 percent.

Lower global commodity prices and the Russian recession will dampen growth in Central Asia, with the 2016 growth cut to 4.2 percent from 4.5 percent, though the 2015 forecast of 3.5 percent was unchanged.

India simplifies foreign investment rules, banks to benefit

REUTERS, *New Delhi*

India has simplified rules for foreign investment in companies by clubbing together different categories, Finance Minister Arun Jaitley said on Thursday, effectively giving equal treatment to global capital entering Asia's third largest economy.

The move, flagged by Jaitley in his budget in February, will make it easier for banks like Yes Bank and Axis Bank to raise capital up to a foreign ownership limit of 74 percent, say analysts.

"One of the most important decisions in relation to the investment is the introduction of composite caps for simplification of foreign direct investments," Jaitley told reporters after a cabinet meeting.

Jaitley said foreign direct investment, foreign portfolio investment and investments by non-resident Indians would be "clubbed together under a composite cap".

Banking stocks rose after the announcement. Axis Bank shares rose nearly 5 percent, while Yes Bank gained 3.6 percent in a Mumbai market that was up 0.8 percent.

Previously, foreign capital had been subject to varying restrictions - a legacy of India's socialist past and its lingering reluctance to allow capital to move freely across its borders.

The Department of Industrial Policy and Promotion (DIPP), part of the Commerce Ministry, proposed simplifying the investment rules after Prime Minister Narendra Modi won an election last year by pledging to boost investment and jobs.

For banks, the shift will lead to an increase in their effective free float - or the number of shares that can be easily traded. That in turn would lead to an increase in their weighting in benchmark indexes tracked by many fund investors.

India has also allowed 100 percent investment in pharmaceuticals and railway infrastructure under a so-called automatic route that does not require official approvals.

China firm reins in platform blamed for stock chaos

AFP, *Shanghai*

A Chinese technology firm linked to e-commerce giant Alibaba said Thursday it was putting new limits on a financing platform reports say facilitated margin trading, blamed for the boom and bust in China's stock market.

Hundsun Technologies' platform, called HOMS, originally aimed to connect companies seeking private equity investment with financial institutions and other lenders, according to Hundsun's website.

But state media say the platform was used to help provide financing for margin trading -- which allows investors to use borrowed funds to trade stocks with only a small portion of money as deposit -- outside official channels.

Hundsun has ordered a subsidiary to shut down several of the platform's functions, including capital increases and new account openings, it said on Thursday in a statement to the Shanghai stock exchange, where it is listed.

Alibaba affiliate Ant Financial holds a 20 percent stake in Hundsun.

The moves, which include Hundsun shutting any accounts with zero balances, came after the China Securities Regulatory Commission on Monday announced an investigation into the company with law enforcement authorities.

Hundsun on Monday denied allegations it played a role in recent stock market turmoil, which has seen the benchmark Shanghai index rise 150 percent in a year then plunge 30 percent in three weeks after peaking in June.

REUTERS

Demonstrators wearing the masks depicting German Finance Minister Wolfgang Schaeuble and former Greek Finance Minister Yanis Varoufakis take part in a protest outside the European Central Bank headquarters in Frankfurt, Germany yesterday. The European Central Bank could be forced by time constraints to delay a funding boost for Greek lenders, a key step towards their reopening, as it waits for Europe to agree a financial backstop that ensures Athens can repay its debts. The text reads 'Debt haircut now!

Refugees help fill gaps in German labour market

AFP, *Bobingen*

Like a growing number of German employers, garage-owner Robert Menhofer has decided to give a young refugee a chance and is lavish in his praise for George Romanos, a young trainee from Syria.

"He's going to be a really good mechanic!" gushes Menhofer, 59. "On the practical side, he's unbeatable."

"But not so much on the theoretical side of things ... due to the language," chimes in, with modesty, his apprentice, dressed in blue overalls and speaking in German, which he has been learning since arriving in Germany.

Romanos, a 21-year-old Christian Syrian, arrived in the southern German state of Bavaria, alone, in the spring of 2013, at the end of a gruelling odyssey that he is reluctant to talk about.

He is one of nearly 86,000 Syrians who have arrived in Germany since the beginning of 2013, fleeing the civil war in their country.

Since the start of the year, the total number of asylum-seekers -- not just from war-torn Syria, but also from Kosovo, Albania and other countries -- taken in by Europe's top economy is close to 180,000.

The newcomers are not always welcomed with open arms, particularly in eastern Germany, where ugly demonstrations have been staged against asylum homes.

But the refugees are increasingly in demand from companies desperate to find young trainees, particularly in manual jobs and skilled labour in a country with a fast ageing society and a low birth rate.

And there are increasing calls in industry to change legislation to make it easier for them to be integrated into the labour market.

In Augsburg, the biggest town near Bobingen, about 70 kilometres (50 miles) from the Bavarian state capital of Munich, the Chamber of Crafts has campaigned for such changes for years.

The challenges are twofold, explains Volker Zimmermann, in charge of education at the chamber: to work towards social cohesion in a region where almost every town now has its own home for asylum seekers; but also to combat an ever-increasing shortage of skilled labour.

AFP

Syrian refugee George Romanos poses at a workshop in Bobingen, southern Germany.

In and around Augsburg, unemployment stood at 4.2 percent in June, and 5,000 vacancies remain unfilled. And here, as elsewhere, the shortage of apprenticeships was even more alarming.

The German "dual system" of on-the-job training combined with theoretical learning is no longer attracting sufficient numbers of young people, with as many as 80,000 trainee places left unfilled last year.

"Everyone wants to go to university nowadays," says Menhofer. So, when he bumped into Romanos, who was living in a refugee home in Bobingen and who he said is "infatuated with cars," he jumped at the chance.

They met when Menhofer, as head of the local business association, had asked the home's residents to help put up the local Christmas market.

Since September 2014, the young Syrian has divided his time between the car workshop and his studies at the local vocational school.

And his boss beams with satisfaction at his apprentice's progress, describing the young Germans of the same age as "lazy".

Sait Demir, an intercultural career advisor at the Augsburg Chamber of Crafts, deals with the formalities, which were made more complicated because Romanos' asylum application had still been pending.

He currently has a temporary two-year permit to stay in Germany.

Romanos' gross monthly wage is 675 euros ($740) and he has a small flat, the rent for which is paid by the local labour office.

Demir works closely with the labour agency and charities and he has succeeded in placing 19 asylum-seekers in apprenticeships since January 1. But he says that it "could be a lot more".

"Employers are beginning to realise that they can employ motivated, hard-working people who are eager to learn," says Zimmermann.

But for the time being, "the complicated bureaucracy puts a lot of them off".

Developing nations give up on global tax plan

AFP, *Addis Ababa*

Developing nations have abandoned their push to create a global tax authority during a key United Nations global development summit being held this week in Ethiopia, officials said Thursday.

Poorer countries, as part of the 134-member G77 bloc, had been lobbying hard for an end to multinationals' profit shifting, which the UN's trade and development body UNCTAD says costs poorer countries some $100 billion a year.

They wanted a UN-managed intergovernmental body charged with overseeing a new set of global fiscal regulations to be created, replacing the current set-up where such matters are managed by the Organisation for Economic Co-operation and Development (OECD), the so-called "rich man's club". Richer countries, led by Britain and the United States, were opposed to the plan.

The dispute has been at the centre of the summit, which has been tackling the question of how to plug an estimated $2.5 trillion gap in development financing.

Th United Nations hopes the meeting will pave the way for a fairer world of inclusive, low-carbon growth, set out in its 2015-2030 Sustainable Development Goals.

The final text of the summit, obtained by AFP, shows developing nations dropped their demands for a global tax body, with the text only mentioning that a subsidiary committee of the UN's Economic and Social Council (ECOSOC) -- which only has a consultative role -- will handle the matter.

It says members of this committee will in future be appointed by their governments and that it will be more geographically representative.

"This question has become a political football," explained Paddy Carter, a researcher at the Overseas Development Institute (ODI), a London-based development think-tank.

"It's easy to understand why developing countries need a global tax body instead of being told by OECD what they should do. But it's harder to say how effective a UN body could be to increase tax revenues for these countries," he said.

Weak New Zealand inflation fuels rate cut talk

AFP, *Wellington*

New Zealand inflation came in at a weak 0.4 percent in April-June, official data showed Thursday, fuelling expectations of another interest rate cut and sending the country's dollar to a more than five-year low.

The quarterly figure brought annual inflation for the 12 months to June to 0.3 percent, well short of the Reserve Bank of New Zealand's 1.0-3.0 percent target.

The bank expressed its determination to meet the target when it cut interest rates last month for the first time in four years.

The New Zealand dollar slumped 0.59 US cents to 65.38 US cents after the figures were released, its lowest since May 2010.

TD Securities strategist Annette Beacher said the tepid inflation data, combined with falling dairy prices, meant another 25 basis point cut to 3.0 percent was virtually assured.

"A cut next week accompanied by a clear easing bias should be well anticipated and priced in," she said.

Tata Steel says 720 UK jobs could become redundant

REUTERS, *London*

Tata Steel said 720 British jobs could become redundant in its speciality and bar business, which is being refocused on high-value markets such as aerospace.

Most of the jobs at risk are at the company's Rotherham-based business, which has been underperforming because of cut-price steel imports into Britain, and electricity costs which are more than double those of key European competitors.

Tata Steel said it would work closely with those at risk and with their trade union representatives to redeploy employees and minimise the number of compulsory redundancies.

Court dismisses appeal against Samsung merger

AFP, *Seoul*

A South Korean appeals court on Thursday rejected the latest effort by US hedge fund Elliott Associates to block the $8.0 billion merger of two Samsung affiliates.

The ruling by the Seoul High Court clears any final obstacle to the convening of a shareholders' meeting on Friday which will see a vote on the proposed takeover of construction company Samsung C&T by affiliate Cheil Industries.

Elliott Associates, which is the second largest single shareholder in C&T, opposes the takeover, saying it significantly undervalues the company's stock.

The dispute is being seen as a landmark challenge to the often opaque and self-serving business practises of the giant, family-run conglomerates, or "chaebol," that dominate South Korea's economy.

The hedge fund filed two suits: one seeking to prevent the shareholders' meeting from taking place and another to halt Samsung C&T's sale of treasury stocks to a "friendly" shareholder, chemicals maker KCC Corp.

Elliot argued that the treasury stocks' sale was unfairly aimed at boosting the pro-merger vote.