

Saudi reform drive confronts jobs challenge

AFP, Riyadh

THEIR heads bowed, young Saudi men concentrate on exam papers in a workshop filled with industrial machines that will help them earn a living.

The students at the Higher Institute for Plastics Fabrication (HIPF) learn to manufacture plastic bags, pipes, bottles and other products, skills they immediately put to work in what the government says is a unique model.

Reducing the kingdom's high unemployment rate is a foundation -- and major challenge -- of the government's wide-ranging Vision 2030 reform plan unveiled in April.

It aims not only to bring more Saudis into the workforce but also to give them vocational skills needed for a diversified private sector.

The HIPF and similar institutes are a focus of the effort to transform Saudi Arabia's labour force, ending decades of over-reliance on oil exports to strengthen the Gulf kingdom's industrial base.

The National Transformation Programme (NTP), which sets five-year targets for implementing the Vision, calls for Saudi unemployment to be cut from 11.6 percent to nine percent by 2020.

More than half of Saudis are under 25 but the International Monetary Fund last year noted "very high and rising" youth unemployment which it said must be tackled urgently.

Experts say doing so will be a major challenge, with many Saudis long accustomed to a bloated public sector, a heavily subsidised economy and a lack of incentives to work.

It is an attitude reflected in young Saudis like Hadi al-Harbi, an 18-year-old ex-security guard in Mecca, who never finished middle school but would like to work again -- as long as the job "is comfortable and with a good salary".

More than 6.5 million foreigners were employed last year in the kingdom, whose Saudi population is about 21 million, according to data cited by Riyadh-based Iqbal Investment.

Expatriates do everything from management to cleaning the streets and waiting on tables, in a society where many locals are reluctant to take jobs they con-



Saudi students pass their final exams at a workshop in the Higher Institute for Plastics Fabrication (HIPF) in Riyadh last month. The students at the HIPF learn to manufacture plastic bags, pipes, bottles and other products, skills they immediately put to work in what the government says is a unique model.

sider menial.

Almost twice as many Saudis are employed in the public sector, where hours are shorter and leave longer, than in private firms.

By 2020 the government aims to cut its payroll to 40 percent of the budget from 45 percent, while seeking to foster "a culture of high performance" among all workers in the country.

Even in the private sector, some Saudis have jobs only on paper, recruited to help companies win incentives -- such as a greater ability to renew visas -- or avoid sanctions set up as part of the government's effort to get more nationals employed.

Another goal of the NTP is to expand the workforce's number of women, whose job opportunities were traditionally restricted in a male-dominated, conservative Islamic society.

The jobless rate for Saudi women rose slightly last year to 33.8 percent. The figure was nearly twice as high for women in their 20s, according to Jadwa.

"In our culture it was hard for us to go to work or try to find our own way. It was not allowed," says Saleema Shaker al-Malki, 30, a Riyadh mother of three who has never had a job.

Completely covered except for her eyes, according to the practice of many Saudi women, she hopes the NTP can help her find suitable work "so that I can escape from the routine life... and achieve my dreams".

Improved education is a focus of the Vision 2030 plan, which calls for expanded vocational training and "rigorous standards" in basic learning.

A foreign education expert in Saudi Arabia told AFP the reforms will take years. Saudi Arabia's well-equipped training institutes may "talk the talk" but standards still lag, the expert said.

The HIPF plastics institute is among the most advanced of about 240 schools run by the government's Technical and Vocational Training Corporation (TVTC).

Some, like the HIPF, are partnerships between the TVTC and industry firms that run them. The TVTC says the approach is

unique because students receive a job as well as training, which is conducted in English.

"From Day One of training" the newly arrived students, HIPF is fulfilling Vision 2030's goal of employment, said Khaled al-Ghefaily, the school's executive director.

Each day starts with calisthenics and an inspection of students' uniforms, which helps instil "discipline" and a strong work ethic, Ghefaily says at the school in an industrial district in Riyadh.

The course concludes with a job placement before graduates continue to full-time employment.

Abdullah al-Aameri, 23, who will graduate later this year, says that aside from working in the industry many fellow students also hope to open their own plastic businesses.

"So they will start their own jobs and give jobs to others," Aameri says.

Established in 2007, the HIPF has graduated more than 1,000 young men, about 70 percent of whom are still employed in the private sector.

Germany issues 10-year bond at negative interest rate for first time

AFP, Frankfurt

Germany issued a 10-year bond at a negative interest for the first time on Wednesday, selling more than 4.0 billion euros (\$4.5 billion) with a yield of minus 0.05 percent, the German central bank or Bundesbank said.

The 10-year German government bond or "Bund" acts as a benchmark on the debt markets and regarded as one of the safest investments.

It is the first time that investors have accepted negative returns in the first issue of a bond, meaning they will pay for the privilege of owning rock-solid German bonds amid fears about the consequences of the British vote to quit the European union and economic worries.

While borrowers traditionally pay interest on the money they are loaned, in the face of heightened political and economic uncertainty, those interest rates have come down to record lows recently as investors flock to safe havens to park their cash.

By accepting negative yields, investors are effectively ditching any hope of a return on their investment in what seems a reasonable price to pay to escape the uncertainties of falling stock markets or volatile commodities and currencies.

Interest rates on sovereign debt have been low for some time as central banks snap up government bonds from investors in an effort to boost economic growth through increased liquidity.

The European Central Bank has slashed its key interest rates to zero and launched a massive bond-buying programme known as quantitative easing (QE) in a bid to get the eurozone economy back on its feet and push inflation higher.

Low-tax Irish economy grows 26.3pc in a year

AFP, Dublin

Ireland's economy grew by a barely believable 26.3 percent last year, according to official data published on Tuesday which was largely skewed by companies relocating to Ireland for tax purposes.

The Central Statistics Office (CSO) said the country's gross domestic product had increased "significantly" in 2015 as it drastically upgraded a previous estimate of 7.8 percent growth.

The boost in gross domestic product comes chiefly from companies moving to Ireland which shift their capital stocks onto the country's balance sheet.

Ireland has a corporate tax rate of just 12.5 percent -- a point of bitter contention with other EU member states -- and hosts the European headquarters of US tech giants including Google and Facebook.

The economy has in any case performed well in recent years. Ireland has recovered from the global financial crisis and the economy was already by far the fastest growing in the eurozone.

China import, export falls accelerate in June



Cargo containers wait to be transported at a port in Lianyungang, eastern China's Jiangsu province, yesterday.

AFP, Beijing

CHINA'S imports and exports both fell at a faster rate in June, official data showed Wednesday, in the latest poor indicator for the world's second-largest economy.

Imports dropped 8.4 percent year-on-year in dollar terms in June, Customs said, while exports fell 4.8 percent. The monthly trade surplus jumped to \$48.1 billion.

As the world's biggest trader in goods China is crucial to the global economy and its performance affects partners from Australia to Zambia, which have been battered by its slowing growth -- while it faces headwinds itself in key developed markets.

Its imports have been shrinking since late 2014 as the country's once blistering expansion lost steam, slowed down by manufacturing overcapacity, a slowing property market and mounting debt.

June's decline -- the 20th straight month of falls -- came after a surprise rebound in May that suggested demand was strengthening.

The fall was greater than analysts expected, with a Bloomberg poll of economists forecasting an import drop of 6.2 percent in dollar terms. Exports were marginally ahead of an expected 5.0 percent fall.

Customs attributed the lower imports to weakening commodity prices.

"The input volume of major bulk commodities such as iron ore, crude oil and copper maintained growth," it said in a statement. "The prices of major import commodities remained low with a narrowing price decline."

China imports and exports both fell in the first half of the year, by 10.2 percent and 7.7 percent respectively.

Customs said there were "obvious obstacles" blocking China's foreign trade development, particularly the decline in business in both directions with major trading partners such as the US and ASEAN.

Analysts with SG Global Economists said in a report before the results that export strengthening was due to a recovery in the electronics sector, despite lacklustre overseas demand.

A falling yuan currency in recent weeks could give further support to China's manufacturing against foreign competitors.

But uncertainties over Britain's exit from the European Union, expected US interest rate hikes, terrorist threats, and weak global demand weighed on trade prospects, Customs spokesman Huang Songping told reporters.

Exports faced large downward pressures in the third quarter, he said.

"The domestic economy has been operating steadily but downward pressures have continued to increase. Companies' costs have remained high and some industries and orders have been shifted abroad."

Customs first released the data in yuan terms, which showed a slight 1.3 percent rise in June exports and a 2.3 percent drop in imports.

The lack of demand will constrain authorities to "retain an easing bias in domestic policy", Bloomberg Intelligence economists Tom Orlik and Fielding Chen said in a note reported by Bloomberg News.

Malaysia cuts interest rates for first time in 7 years

AFP, Kuala Lumpur

Malaysia on Wednesday cut interest rates for the first time in seven years in a shock move as the economy struggles with weak exports and an uncertain global outlook.

The decision to slash borrowing costs by 25 basis points to 3.00 percent follows similar moves by Singapore and Indonesia and comes as major central banks around the world look to ease monetary policy to kickstart growth.

"Exports are projected to remain weak following more subdued demand from Malaysia's key trading partners," Bank Negara said in a statement.

The benchmark rate has been kept steady since July 2014, when it was raised by 0.25 percentage points, but it is the first cut since 2009.

"It is a pleasant surprise. The policy cut is in tandem with other regional economies. It would support much needed growth," Kenanga Research economist Wan Suhaimi Saidi told AFP.

Malaysia's economy expanded 4.2 percent in the first quarter, its slowest rate since a 1.1 percent contraction in the third quarter of 2009 during the global financial crisis.

The figure was also the fifth straight quarter of slowing growth, adding to pressure on policymakers as the price of oil -- a key export -- remains subdued, denting revenues and putting severe pressure on the ringgit.

Citigroup targets high-growth firms to boost Asia corporate banking business



REUTERS, Hong Kong

CITIGROUP Inc looks to sharpen its focus on winning a bigger share of business from "emerging market champions" in Asia, including rapidly growing Internet firms, as part of its plans to boost corporate banking revenue.

The US bank, which counts Asia as its fastest growing region, employs more than 600 people in its corporate banking business in the region and would make select hirings to bolster its presence, Gerald Keefe, newly appointed head of Asia Pacific corporate banking, said.

"These companies have achieved scale quickly and now increasingly are growing in developed markets," Keefe said, referring to what the bank calls emerging market champions in countries such as China and India. Citigroup announced the appointment of Keefe as Asia Pacific corporate banking head in April, a new role that brings together bankers working for clients from financial institutions, public sector entities, corporates and local units of global firms.

"One of the priorities in the new role is to deliver stable top-line growth for corporate banking in Asia in an efficient and responsible manner," Keefe, who was previously the bank's corporate banking head in Japan, told Reuters.

Citigroup's enhanced focus on the corporate banking business in Asia comes against the backdrop of a drop in revenues

from trading and deal advisory and underwriting in the first quarter that weighed on its earnings.

Citigroup Chief Executive Officer Mike Corbat indicated last month that the bank's second-quarter net income will be roughly 25 percent lower than the same period a year earlier. The bank is due to report on Friday.

Under the corporate banking business in Asia, its offerings include cash management, foreign exchange, trade finance, loans, and capital markets and structured products solutions. The unit will work closely with investment banking and markets teams.

In a sign of its increasing focus on high-growth firms in the region, Citigroup was one of the lead arrangers in three separate loan deals of Chinese Internet giants Alibaba Group, Baidu and Tencent Holdings, which raised a combined \$10.4 billion earlier this year, according to Thomson Reuters LPC data.

"We have leading corporate champions in China as our clients ... they are now in many ways global businesses," Keefe said. "We are uniquely positioned to help them expand globally with our network in over 100 countries."

In Asia, the bank is also looking to grow its supply-chain financing business, in which target clients range from car component makers to telecoms equipment producers, as these firms look to expand their geographical footprints, Keefe said.