India's anti-China steel tariffs bite engineering, manufacturing firms

REUTERS, New Delhi

INDIAN manufacturers of finished steel goods are urging New Delhi to end tariffs on cheap imports of the alloy from China, Japan and South Korea, worried the protectionist measures may cost them billions in lost overseas sales.

India put the tariffs in place in February to ensure a minimum import price (MIP) for 173 steel products, mainly to guard against cheap Chinese exports of around 10 million tonnes a month of items such as hot-rolled and cold-rolled steel that have undercut U.S., European and Asian producers.

The gambit to protect India's domestic steelmakers is threatening export revenues earned by engineering and manufacturing companies as artificially high prices for a primary raw material for everything from home appliances to ships make their products uncompetitive in foreign markets.

The MIP policy has hit engineering firms especially hard. These mostly small- to mid-sized companies together export goods worth $56 billion a year - a fifth of India's shipped merchandise - made at least partly with steel now priced 15 percent higher on average than at end-2015 and up to 30 percent more than Chinese imports.

"My input cost is 40 percent higher than other nations. How will my finished product compete?" Pankaj Chaddha, CEO of Jyoti Steel Industries, said of the MIP tariffs.

Jyoti Steel, a Mumbai manufacturer of stainless steel wire and carbon steel bright bars, cut 50 of its 300 jobs after MIP was introduced, and its output slumped by 22 percent in the April-June quarter.

Chaddha said he would have to lay off another 50 contract workers if the policy was extended past its Aug. 5 expiry date.

REUTERS/FILE

A worker rides his bicycle past steel rims in a dockyard in Mumbai.

Also hanging over India's steel sector is a separate recommendation that the government enact anti-dumping duties on imports of hot-rolled steel products from China, Japan, South Korea, Russia, Brazil and Indonesia.

Indian prices of hot-rolled steel - used to make pipes, rods, cars, ships and industrial machinery - rose by more than 15 percent to 37,000 rupees ($554) a tonne between December and early May, according to the latest data available.

Chinese prices moved from $270 a tonne in December to $420 a tonne in April, before softening again.

Trade body EEPC India said engineering goods exports would drop 10 percent this year if MIP is extended. The group has gone before the trade ministry several times to ask that the import policy be allowed to lapse, and members have also met with the steel ministry on the issue.

India's indebted steel sector, though, struggling with low profit amid a global supply glut, has lobbied hard for it to be kept in place.

By making foreign steel too expensive, domestic steelmakers such as Steel Authority of India, Tata Steel and JSW Steel have been able to raise prices.

But higher prices, besides hampering exporters, have pushed steel processing firms such as Adhunik Metaliks, Jayaswal Neco and Sujana Metal Products into losses.

About 20 of 60 mills on his membership list have shut, said S.C. Mathur, executive director of Cold Rolled Steel Manufacturers Association of India.

"Others are operating at 40-50 percent of capacity and incurring losses."

China, the world's largest steel manufacturer and consumer, produced 804 million tonnes last year - about half of global supply - using just 70 percent of its capacity.

India - along with the United States, Europe and others - has said that even as Beijing works to downsize its overblown sector, Chinese mills are exporting their excess supply.

India, the world's third-largest producer with an estimated output of 90 million tonnes, consumed about 80 million tonnes of finished steel in the year through March 2016.

It imported about 11 million tonnes that year, according to the steel ministry's Joint Plant Committee (JPC), with China supplying around 47 percent.

US consumer spending exits second quarter with strong momentum

REUTERS, Washington

US consumer spending rose more than expected in June as households bought a range of goods and services, suggesting consumption will likely remain strong after surging in the second quarter.

Despite healthy consumer spending, Tuesday's report from the Commerce Department showed inflation still muted. This could see a cautious Federal Reserve keeping interest rates at current low levels for a while.

Consumer spending, which accounts for more than two-thirds of US economic activity, increased 0.4 percent in June after a similar gain in May. Economists polled by Reuters had forecast consumer spending advancing 0.3 percent.

When adjusted for inflation, consumer spending rose 0.3 percent after climbing 0.2 percent in May.

The dollar trimmed losses against the euro and yen after the data. Prices for US government debt also pared losses, while US stock futures were trading lower.

The June data was included in last week's second-quarter gross domestic product report, which showed that consumer spending rose at a 4.2 percent annual rate, the fastest in nearly two years. That jump accounted for almost all of the economy's 1.2 percent growth pace during the period.

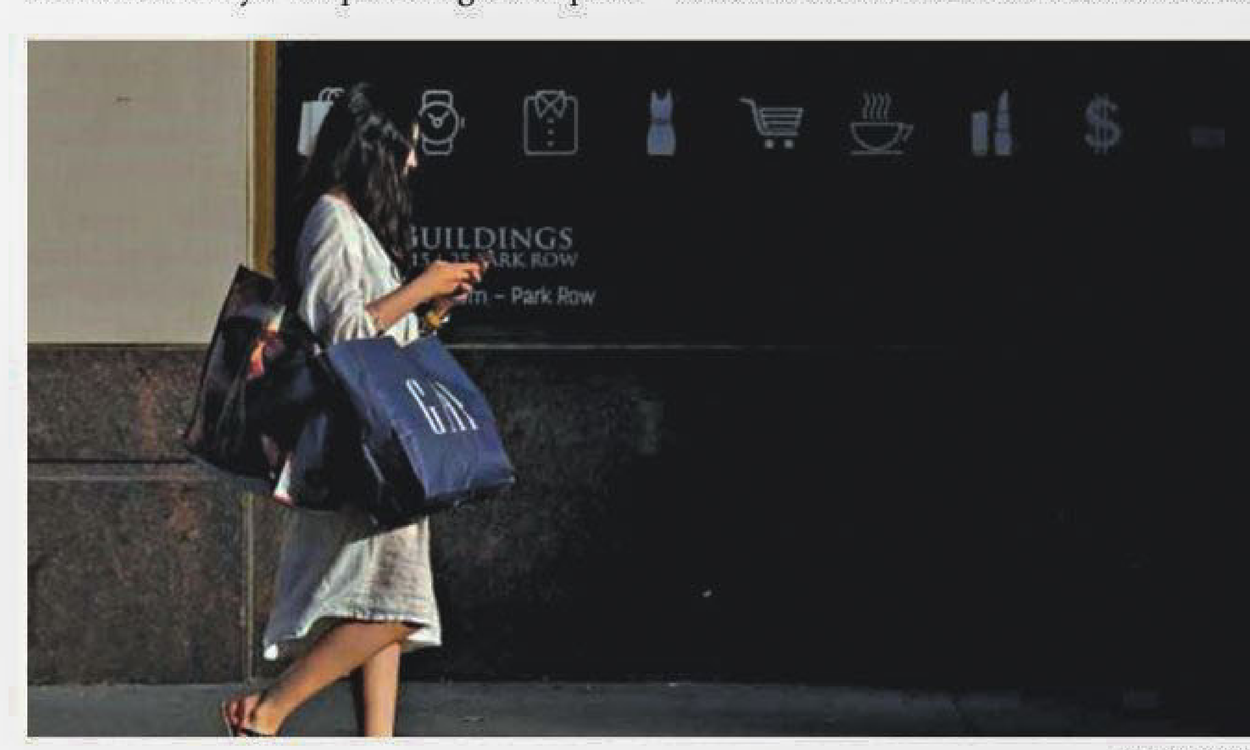
While the second quarter's robust pace of consumer spending will probably not be sustained, economists are optimistic that spending will remain solid, underpinned by steadily increasing wages as the labour market tightens, as well as rising house and stock market prices.

There was little sign of inflation in June. The personal consumption expenditures (PCE) price index, excluding the volatile food and energy components, rose 0.1 percent in June after a 0.2 percent gain in May.

In the 12 months through June the core PCE increased 1.6 percent. It has risen by the same margin since March. The core PCE is the Federal Reserve's preferred inflation measure and is running below the US central bank's 2 percent target.

Consumer spending in June was lifted by a 0.7 percent rise in purchases of nondurable goods. Spending on services increased 0.5 percent, but outlays on long-lasting manufactured goods such as automobiles fell 0.3 percent.

Spending increased despite personal income rising only 0.2 percent in June after a similar gain in May. Wages and salaries advanced 0.3 percent after rising 0.2 percent in May. With spending outpacing income, savings fell to $732 billion, the lowest level since March 2015.



REUTERS/FILE

A woman carries shopping bags while walking in lower Manhattan borough of New York City.

REUTERS

Japan's Prime Minister Shinzo Abe speaks at a news conference at his official residence in Tokyo yesterday.

Japanese PM Abe: economy is top priority for new cabinet

REUTERS

JAPANESE Prime Minister Shinzo Abe said on Wednesday that the top priority for his reshuffled cabinet was the economy and that he would do his utmost to lift the country out of deflation.

Abe kept most top posts unchanged in the limited cabinet reshuffle that followed his cabinet's approval on Tuesday of 13.5 trillion yen ($133.25 billion) in fiscal steps to try to revive the economy mired in more than 15 years of deflation.

"The utmost priority is the economy," Abe told a news conference. "While facing up to risks posed by the global economy, we'll use all policy tools to accelerate the escape velocity out of deflation to the maximum.

The government and the Bank of Japan would work together to defeat deflation, Abe said, adding that he believed the central bank would take firm policy steps to achieve its 2 percent inflation target.

"Specific policy steps should be left up to the BOJ to decide. I trust Governor (Haruhiko) Kuroda's ability," he added.

Three years of reflationary monetary, fiscal and reform policies dubbed "Abenomics" have done little to revive the world's second-largest economy, and financial markets are growing worried that the Bank of Japan is running out of ammunition.

The BOJ disappointed markets on Friday by keeping bond purchases steady, defying expectations it would hoover up more, and made traders even more nervous after announcing it would re-evaluate policies in September.

On Tuesday, Kuroda declined to comment on a recent spike in government bond yields but said the planned review will not lead the BOJ to weaken its stimulus.

Tokyo stocks have also sold off on concerns that the latest fiscal stimulus package does not contain enough new and direct spending and is spread out over several years, diluting its economic impact.

StanChart swings back to profit, shares rise 5pc

REUTERS, London

STANDARD Chartered reported an underlying pretax profit of $994 million in the six months to end-June, as cost-cutting, steady income and fewer bad loans helped the bank return to the black after a billion dollar loss in the second half of 2015.

The first-half profits at the Asia-focused lender reflected a 13 percent fall in operating costs to $4 billion and stable income of $6.8 billion, despite an uncertain economic outlook, and suggested a sweeping restructuring under Chief Executive Bill Winters had begun to bear fruit.

"The external environment and outlook is more difficult but we are strengthening our bank, becoming more efficient and investing in our future," Winters said in a statement.

Shares in the bank were trading 5 percent higher at 622 pence by 1000 GMT as investors cheered the addition of more than 40,000 new retail banking clients and the bank's continued progress on exiting low-returning or non-core businesses.

The bank said its core capital ratio - a key measure of financial strength - remained flat at 13.1 percent.

In the year since he joined the bank, former JPMorgan (JPM.N) investment banker Winters has announced plans to axe more than 15,000 jobs, overhauled senior management, closed the bank's stock trading business and raised $5.1 billion in capital as part of a plan to restore profitability.

But despite the positive progress report on its overhaul, which saw risk-weighted assets drop by a further $13 billion, Standard Chartered said it expected 2016 performance to remain subdued as global economic prospects wilted.

Echoing a similar statement by HSBC earlier on Wednesday, the bank said it would also defer its goal to reach a tangible return on equity of 8 percent by 2018, citing slowing global growth and lower interest rates.

While StanChart has less exposure to the British economy than other major London-based lenders, the bank is suffering from slowing growth in Asia where it makes more than two thirds of its profits.

It reported a fall in underlying loan impairments of $1.1 billion and said it continued to be "watchful" for potential spikes in troubled loans as stresses among key corporate borrowers remained.

The bank last week named former deputy governor of the Bank of Spain Jose Vinals as its new chairman, ending a 16-month search.

HSBC's $2.5b buy-back boosts shares as bank postpones profit goal

REUTERS, Hong Kong/London

HSBC announced a $2.5 billion share buy-back and pared ambitions to grow dividend payouts and returns as it took pragmatic steps to soothe investors amid slowing growth in its home markets of Britain and Hong Kong.

The lender's London-listed shares were trading 3.6 percent higher at 0808 GMT after the buy-back took the sting out of a 29 percent drop in January-June pretax profits, which matched analysts' expectations.

As Britain's vote to leave the European Union clouds economic prospects and Hong Kong absorbs slower growth in China, HSBC, Europe's biggest bank, has opted to "remove a timetable" for reaching its targeted return on equity (RoE) in excess of 10 percent by the end of next year. Return on equity at end-June was 7.4 percent.

"Abandoning the timetable for reaching a 10 percent RoE is not pessimistic as much as realistic that interest rates in the US aren't going up and 'lower-for-longer' is brutal for them," Richard Buxton, CEO of Old Mutual Global Investors, one of HSBC's 30 largest investors, told Reuters.

Group Chief Executive Stuart Gulliver said the bank had removed the word "progressive" from its guidance on dividend payout plans, as a reflection of tougher market conditions.

"'Progressive' was interpreted by everyone as meaning it is going to go up every quarter notwithstanding what is happening in the world, so what we are saying is we are committed to sustain the dividend at the current level," he told Reuters.

While investors interpreted the new guidance as pragmatic, analysts at Shore Capital said they were "less than convinced" by the management's pledge to maintain the dividend, noting that both Gulliver and Chairman Douglas Flint are set to step down in the next couple of years.

"With the earnings outlook continuing to deteriorate ... a future dividend cut could therefore still be on the cards, especially if a new leadership takes a different view."

The share buy-back follows HSBC's disposal of its Brazil unit last month in a $5.2 billion deal. Gulliver told Reuters HSBC's core equity ratio would move to 12.6 percent from 12.1 percent at the end of June, following the buy-back, in line with the bank's target range of 12-13 percent.

AFP

Commuters stand in front of an HSBC advert in Hong Kong.