

# As Trump targets Toyota over Mexico, Nissan faces bigger risk

REUTERS, Tokyo

US President-elect Donald Trump has threatened Toyota Motor Corp over its Mexican-built cars, but the biggest risk from a punitive tariff would be for its compatriot Nissan Motor Co, the largest automaker operating in the country.

Trump has criticised US companies like General Motors and Ford Motor Co which manufacture abroad, accusing them of costing US jobs. On Thursday he took on Toyota, warning the world's largest automaker that it would face a "big border tax" if it exported Mexico-built cars to the US market.

But it is Nissan, Japan's second-largest automaker, which would be the bigger victim of any tax punishment. Nissan built its first overseas plant in Mexico in 50 years ago and now produces more than 800,000 cars there, mainly its entry-level Versa and Sentra sedans.

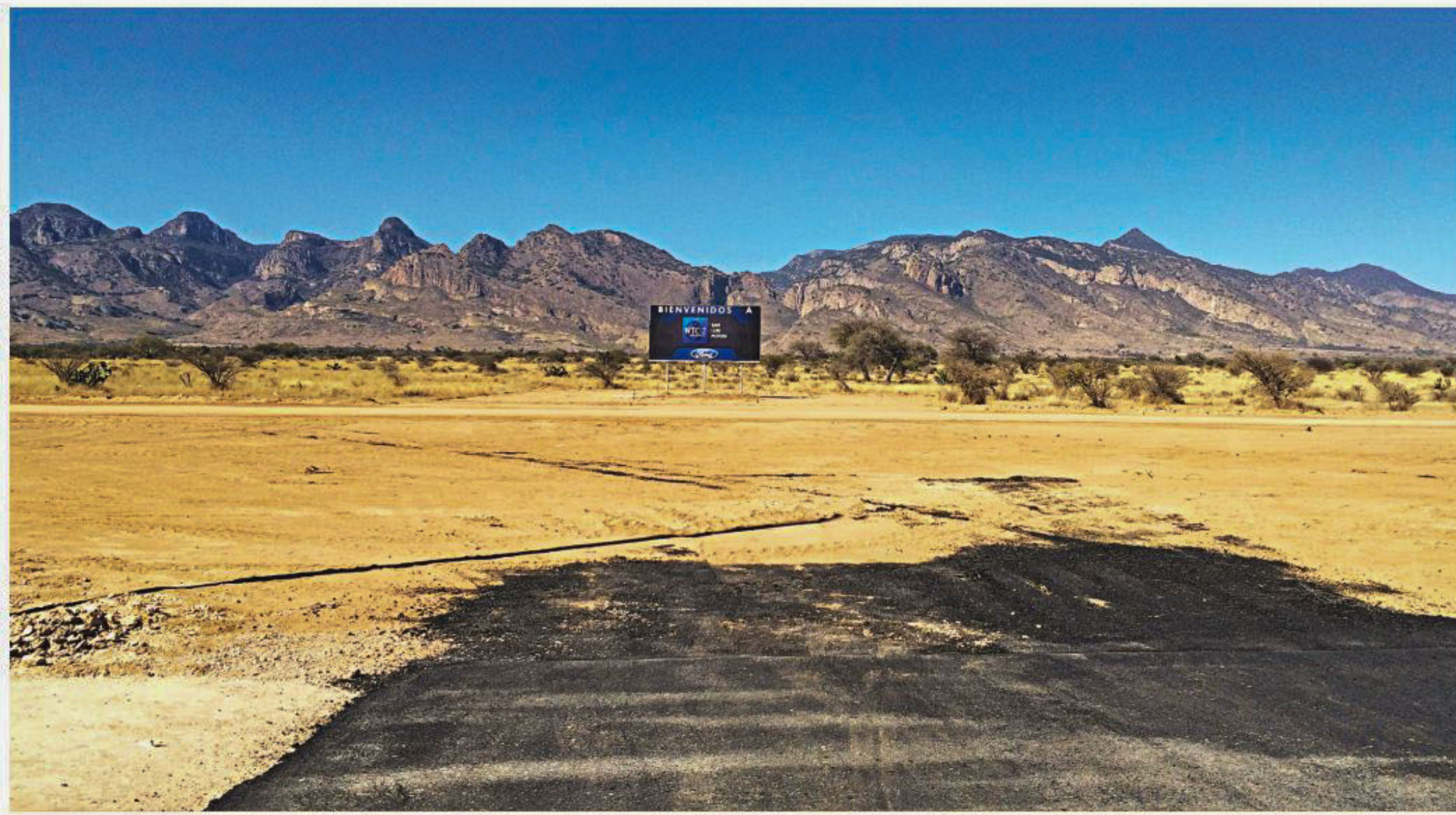
Nissan's production dwarfs that of Toyota, Honda Motor Co and Mazda Motor Corp in Mexico. It exports roughly half of its output to the United States, where it also has production plants.

Vehicles made in Mexico comprise roughly one-quarter of Nissan's total US vehicle sales, industry experts say, compared with around 30 percent for smaller rival Mazda, but less than 10 percent for Toyota and Honda.

Japanese automakers together produced around 1.4 million vehicles in Mexico in the year ended March, nearly 40 percent of the country's total output. According to the Japan External Trade Organization, they plan to ramp up production to 1.9 million by 2019.

Current production in Mexico is dwarfed by the number of cars they produce in the United States, their single largest market, where Japan's top three automakers alone produced around 4 million vehicles in 2015.

Trump has said he plans to renegotiate the North American Free Trade Agreement between the United States, Canada and Mexico, and has vowed to impose a 35



A view of the construction site where Ford Motor Co cancelled a \$1.6 billion plant in Villa de Reyes, Mexico.

percent tariff on cars exported to the United States from Mexico.

According to JP Morgan estimates, an increase in tariffs on cars exported from Mexico to the United States to even 10 percent would hit Nissan's consolidated operating earnings by 10.3 percent, more than 5.5 percent at Mazda. Toyota would see a hit of 0.7 percent, while Honda 2.2 percent.

All four Japanese automakers building cars in Mexico said they have no immediate plans to change operations. But Nissan and Renault SA CEO Carlos Ghosn told Reuters he was watching the incoming Trump administration closely and would respond to whatever policies it adopts.

"I don't want to preempt or try to guess what's going to happen," Ghosn said in

an interview on Thursday, on the sidelines of the CES technology show in Las Vegas, Nevada.

"It's not a question that we are afraid or not afraid, we're dealing with 160 markets in the world, different powers, different policies, different approaches, so we are used to adapting our strategy to different policies," he said.

One Asian auto executive told Reuters his company long ago made a strategic decision to make Mexico a production hub in North America, and that it is tough to alter its strategy overnight.

"We can't turn back the clock on these decisions," said the executive, who did not have clearance to speak to media and so declined to be identified.

"What we need to explain more clearly (to Trump) is that most automakers are

not cutting production capacity or jobs in the United States to make Mexico an additional production hub."

Still, analysts said automakers would likely think twice about expanding production in the country in the coming years.

"As long as this administration is in place I suspect (Nissan is) not going consider any additional capacity there," CLSA analyst Chris Richter said.

Trump's criticisms come just as Japanese automakers are shuffling their production portfolios to boost supply of popular, higher-margin sport utility vehicles (SUV) and trucks for the US market.

Honda last year announced it would expand its US production capacity to build more of its CR-V SUV, while shifting production from Mexico.

# China December forex reserves fall for sixth month, near \$3tr level

REUTERS

China's foreign exchange reserves fell to near six-year lows in December, but held just above the critical \$3 trillion level, as authorities stepped in to support the weakening yuan ahead of U.S. President-elect Donald Trump's inauguration.

China's reserves shrank by \$41 billion in December, slightly less than feared but the sixth straight month of declines, data showed on Saturday, after a week in which Beijing moved aggressively to punish those betting against the currency and make it harder for money to get out of the country.

Analysts had forecast a drop of \$51 billion. For the year as a whole, China's reserves fell nearly \$320 billion to \$3.011 trillion, on top of a record drop of \$513 billion in 2015.

While the \$3 trillion mark is not seen as a firm "line in the sand" for Beijing, concerns are swirling in global financial markets over the speed with which the country is depleting its ammunition to defend the currency and staunch capital outflows.

Some analysts estimate it needs to retain a minimum of \$2.6 trillion to \$2.8 trillion under the International Monetary Fund's (IMF's) adequacy measures.

If pressure on the yuan persists, analysts suspect China will continue to tighten the screws on outflows via administrative and regulatory means, while pouncing sporadically on short sellers in forex markets to discourage them from building up excessive bets against the currency.

But if it continues to burn through reserves at a rapid rate, some strategists believe China's leaders may have little choice but to sanction another big "one-off" devaluation like that in 2015, which would likely roil global financial markets and stoke tensions with the new Trump administration.

The yuan depreciated 6.6 percent against the surging dollar in 2016, its biggest one-year loss since 1994, and is expected to weaken further this year if the dollar's rally has legs.

Adding to the pressure, Trump has vowed to label China a currency manipulator on his first day in office, and has threatened to slap huge tariffs on imports of Chinese goods.

That has left Chinese eager to get money out of the country, creating what some researchers describe as a potentially destructive negative feedback loop, where fears of further yuan falls spur outflows that pile fresh pressure on the currency.

"For 2016 as a whole we estimate total capital outflows to have been around \$710 billion," Capital Economics' China economist Chang Liu told Reuters in an email.

# Rupee to fall to record low over coming year



A notice is pasted at a shop stating the refusal of the acceptance of the old 500 and 1000 Indian rupee banknotes and acceptance of the new 500 and 2000 Indian rupee banknotes, in Allahabad.

REUTERS, Bengaluru

The rupee is expected to fall further against the US dollar this year to a record low, hit by rising global bond yields and an economic blow from New Delhi's dramatic currency crackdown launched two months ago, a Reuters poll found.

The rupee performed a bit better than most of its regional peers in 2016, weakening just over 2 percent as India's economy, the fastest-growing in Asia, roared ahead for most of the year.

But capital outflows intensified toward the end of 2016 after Donald Trump won the US presidential election and Indian Prime Minister Narendra Modi announced

the end of high-value bank notes.

The rupee is forecast to weaken to 68.50 a dollar in one month versus 67.73 at Thursday's close, the poll of nearly 30 foreign exchange strategists carried out this week showed. It is expected to fall further to 69.50 by year-end. That 12-month consensus is the weakest for several years and would mark a record low. Just three months back the view in a Reuters poll was for the rupee to trade at 67.73 in a year.

"We see a less rosy scenario in the capital account and current account front in the coming two years, with global bond yields and money flowing back to the US," said Bhupesh Bameta, head of FX research at Edelweiss Financial Services in Mumbai.

# Canada competition bureau drops probe of Apple

AFP, Ottawa

Canada's competition watchdog announced Friday it is closing its two-year investigation into whether Apple's contracts with local wireless carriers illegally stifled competition when it introduced the iPhone.

The probe, opened in December 2014 by the Competition Bureau, failed to find sufficient evidence that the tech giant had engaged in anti-competitive behavior.

"The Bureau did not find sufficient evidence to conclude that Apple has engaged in an abuse of dominance under the Competition Act," the federal agency said.

The watchdog was investigating whether the contracts were affecting wireless carriers' incentives to push iPhones over other smartphone brands.

At the time of its 2008 Canada launch, Apple's smartphone was provided exclusively by telecommunications firm Rogers, before it was eventually made available by other carriers.

# Paris department stores finally open on Sundays

AFP, Paris

SUNDAY shopping at Paris's prestigious department stores is finally becoming a reality, giving them a much-needed shot in the arm following terror attacks that have scared away foreign visitors to the world's fashion capital.

France's President Francois Hollande's Socialist government has chipped away at France's laws preventing shops opening on Sunday.

Regional officials have received authority to allow stores to open more Sundays every year, but the major initiative was the creation of special international tourism zones where shops could operate on Sunday.

That was a particularly important move for Paris, a perennial favourite for tourists, but whose famous department stores and luxury boutiques lining Boulevard Haussmann and the Champs Elysees had to stay shut.

Implementation of the 2015 reform has been slowed down however as stores negotiated with unions on pay conditions. Working on Sundays remains controversial, although high unemployment and the higher wages on offer have helped to soften opposition.

Earlier this week, Printemps finally got enough union support for its wage package for Sunday openings, the last of Paris's major department stores to strike a deal.

It plans to begin opening its doors on Sundays in a few months.

Galleries Lafayette, the other major department store based on Boulevard Haussmann and a particularly popular destination for cash-rich Chinese visitors, makes its first regular opening this Sunday.

Another high-end store, Le Bon Marche, also plans to begin Sunday shopping after reaching a deal with unions last year.

The flagship BHV store near Paris city hall was the first to strike an agreement with unions in November 2015 and has been opening its doors since July last year.

Six months later, "the results are extremely positive, with sales increasing by 10 percent since the Sunday openings," BHV's management told AFP.

That beat the forecast of a 6-8 percent gain that the store made



People are shopping at the Galeries Lafayette department store in Paris.

when it began Sunday shopping. "Since September, Sunday has become the second best sales day for BHV Marais, behind Saturday," said Galeries Lafayette group, which owns the store.

And it isn't only tourists who are availing themselves of Sunday shopping hours.

"There is undoubtedly a real appetite from the public, especially those who shop regularly in the adjacent streets in the Marais (neighbourhood where Sunday shopping has been allowed for several years under a separate exception) to drop by BHV now as well," said the company.

It also noted new clients visiting the store, both from the neighbourhood and the greater Paris region, who said they didn't have time to shop there other days of the week.

In terms of jobs, Sunday openings resulted in the addition of 150 full-time posts at BHV Marais.

At Galeries Lafayette, they've already recruited 330 people to handle the Sunday openings and the total is expected to rise. And that doesn't account for the staff at the in-shop boutiques that are employed by the brands directly.

The store is targeting a 5 to 10 percent increase in sales.

The Sunday openings will help Galeries Lafayette, which like Printemps makes around half of their sales from foreign tourists, with this lucrative segment.

There are fears that many well-heeled tourists with cash to spend were preferring to spend Sundays in London or Madrid where they could shop.

According to calculations by one retail trade association, the Galeries Lafayette and Printemps shops on Boulevard Haussmann alone were missing between 168 million and 240 million euros in sales per year by keeping their doors closed on Sunday.

The two stores are hoping for a repeat of the experience of the Beaugrenelle shopping centre, located near their Eiffel Tower, which saw a 28-percent jump in visits by tourists after it began to open on Sundays.

The Sunday openings will also help the department stores make the best of a bad situation.

Paris has been struggling to lure back tourists after the November 2015 terror attacks that killed 130 people.

Tourist arrivals to France overall were down 8.1 percent in the 10 months from January to October, and in the Paris area alone, tourism revenue is expected to plunge by 1.5 billion euros this year.

The MKG Group consultancy estimated that French hotels and their restaurants lost out on 900 million euros in revenue last year due to foreign tourists staying away, with Parisian hotels bearing nearly all of the brunt of the shortfall.

# Boeing's deliveries, orders fell in 2016

AFP, New York

Boeing said Friday its deliveries of commercial planes fell modestly in 2016 and it saw fewer orders compared to 2015.

The US aerospace giant delivered 748 planes last year, down from 762 in 2015. Boeing booked orders for 668 planes, down 13 percent in from orders in 2015. The 2016 orders are worth \$94.1 billion at list prices, it said.

Boeing's archival Airbus said in November that it was targeting deliv-

eries of 670 planes for the year. Commercial airplane deliveries are tied to revenues and are closely monitored as a sign of financial strength.

Boeing's most popular plane, the single-aisle 737, comprised about two-thirds of the deliveries and an even higher percentage of the orders.

The company on Wednesday announced a new order for 75 of the 737s, worth \$8.25 billion, from General Electric's airplane leasing arm.

However, deliveries of the iconic 747 jumbo jets fell by half to just

nine. The company announced in January 2016 it was cutting production of the planes in half due to weak demand in the cargo market. Airbus has also fared badly with its jumbo offering, the A380.

Boeing said in December it also was cutting production of its wide-body 777 planes to five from seven due to slackening demand. It delivered 99 of the planes in 2016, up one from the prior year.

Shares of Boeing rose 0.1 percent to \$158.87 in afternoon trading.