



Officials attend the Samsung Experience Consultant Eid Sales Convention, organised by Fair Distribution at Army Golf Club in Dhaka.

FAIR DISTRIBUTION

# Young Chinese in the red as easy credit drives up debt

AFP, Beijing

When Wu Qi and her husband traded in their Mazda 3 for a more expensive Mercedes Benz sedan, they applied for a 200,000 yuan (\$29,000) bank loan to help pay for it.

They got the money within minutes. Quick and easy access to credit has encouraged many young Chinese to go into the red to buy cars and apartments they could not otherwise afford.

They are the faces of China's growing addiction to debt, which along with government and corporate borrowing, has raised fears of a looming crisis and prompted Moody's ratings agency to slash the country's credit score last week for the first time in nearly three decades.

"It is very easy -- the car company encourages you to borrow the money and enjoy the car," said Wu, 39, adding the couple is also paying off a one million yuan mortgage for a three-bedroom flat in Beijing.

Since Chinese leaders turned on the credit taps in late 2008 to shield the country from the global recession, household borrowing has soared and pushed China's overall debt liabilities above 260 percent of gross domestic product -- compared with about 140 percent before the

crisis hit.

But slowing growth in the world's second-largest economy has raised concerns that years of risky lending could lead to a disaster worse than the US sub-prime collapse.

"While such debt levels are not uncommon in highly rated countries, they tend to be seen in countries which have much higher per capita incomes, deeper financial markets and stronger institutions than China's," Moody's said.

Household debt has become the major driver of China's credit growth, expanding by an average of 19 percent a year since 2011, said Chen Long, an economist at Gavekal Dragonomics.

If it continues to grow at this pace, household debt would reach roughly 66 trillion yuan by 2020 -- more than double the current level -- and potentially 70 percent of GDP versus 30 percent back in 2013.

"Other countries have usually taken decades to complete such an increase," said Chen.

"For bank lending to households to rise very rapidly usually means lending standards are loosened so credit is extended to both more and less creditworthy consumers."

Mortgages make up the bulk of household debt.

Chinese have long favoured putting their

savings into bricks and mortar due to the low bank deposit rates on offer, volatility in the stock market and strict rules that make it difficult to invest money abroad.

"It's a safe choice," said homeowner Charlie Liu, 26, who also rents out her flat on Airbnb to help cover the repayments on her 1.4 million yuan mortgage.

But as apartment prices have soared -- often doubling within a few years, particularly in major cities -- fears of a real estate bubble have mounted.

The government has responded by periodically tightening restrictions on property purchases and hiking minimum down payments -- up to 80 percent for a second home in Beijing, according to state media -- to stabilise the market.

But prices continue to rise, forcing young homebuyers deeper into debt.

Wang Yuchen, 28, borrowed three million yuan from the bank in August to buy a 4.75 million yuan apartment in Beijing.

Lacking enough cash, Wang turned to his parents and friends to help pay the deposit. "In 2012 I could have bought the same apartment for 1.5 million yuan," Wang said. "I'm a little bit worried but there's nothing I can do. Last year I was getting married and it's tradition in China that you have to have your own house to get married."

Borrowing money for a car is also becoming more popular as consumers, particularly millennials, take advantage of very low interest rates. Auto financing has been soaring by 40 percent a year and high-speed growth in the sector is expected to continue, said Ron Zheng, an automotive expert at Roland Berger consultancy.

"Before I bought this new car I never thought I would change my old car because nowadays you can hire a car using (ride-hailing app) Didi and Uber which is quite convenient," said Wu.

"And then I found that a new car is not that expensive."

Facing dire warnings, Chinese policymakers are taking action to tighten balance sheets, halt risky lending and dispose of bad loans.

But there are doubts about Beijing's willingness to clean house given its heavy reliance on freewheeling credit to drive economic growth.

"We will see how it can extricate itself from the same 'grow now ask questions later' trap that all other command economies have slipped into in the past," said Michael Every, senior Asia-Pacific strategist for Rabobank.



Workers operate a machine at a construction site in Beijing.

AFP/FILE

# Airbus starts building first helicopter plant in China

AFP, Qingdao, China

Airbus has begun building its first helicopter assembly plant in China, and the European planemaker plans to produce 18 machines a year there in hopes the country will soon open up its low-altitude airspace.

China currently has a shortage of civilian helicopters for emergency medical purposes and other uses due to the military's tight control over the nation's airspace.

Airbus Helicopters plans to complete its plant in the eastern port city of Qingdao at the end of next year. The first helicopter is scheduled to be delivered in mid-2019, its president

Guillaume Faury told reporters during the laying of the foundation stone on Saturday.

The plant will be the first by a foreign helicopter manufacturer on Chinese soil, he said. It will be jointly operated by Airbus Helicopters and Qingdao United General Aviation Company.

Airbus also has an aircraft assembly plant in the northeastern city of Tianjin, which it opened in 2008.

A letter of intent for a 750-million euro (\$800 million) deal, involving the sale of 100 H135 helicopters to China and the construction of the assembly plant, was signed during a visit by German Chancellor Angela Merkel in 2015.

Airbus Helicopters saw its revenues fall by two per cent last year but is counting on China to boost sales.

The country became its top market last year, with 48 of the 100 helicopters which China bought last year coming from Airbus.

China has a fleet of only 800 helicopters, compared with 8,000 in Europe and 12,000 in the United States, so the potential for growth is vast, said Vincent Dufour, Airbus Helicopters' sales director in the country.

The Chinese market is still hampered by military controls over airspace. Airbus hopes this will gradually be relaxed as was partially done in the late 1990s for commercial airplane flights.



Shafiqul Alam, managing director of Jamuna Bank, and Adeebe Rahman, CEO (current charge) of Delta Life Insurance Company Ltd, exchange the signed documents of a deal at a programme at the head office of the bank in Dhaka. The bank's employees will get group life and hospitalisation benefits from the company.

JAMUNA BANK

# Reliance Communications hit by Indian mobile price war

REUTERS, Mumbai

Indian mobile phone network operator Reliance Communications Ltd posted its second straight quarterly loss on Saturday, hit by the price war which has broken out in the world's second-biggest mobile market by number of users.

The launch last year of rival Reliance Industries' new Jio 4G broadband service with free voice and data services has forced other networks to come up with cheaper plans of their own, squeezing margins and in some cases dragging down sales, with bigger rivals Bharti Airtel, Idea Cellular and Vodafone India also suffering from the cut-price competition.

Reliance Communications, controlled by billionaire Anil Ambani, said on Saturday it made a consolidated net loss of 9.66 billion rupees (\$149.8 million) for its fiscal fourth quarter to March 31, compared with a 900 million rupees net profit in the same period a year earlier.

Four analysts had, on average, expected Reliance Communications to report a loss of 7.48 billion rupees, according to data compiled by Thomson Reuters.

Revenue from operations fell about 24 percent from a year earlier to

43.12 billion rupees.

Its heavy debt load - 428 billion rupees of net debt as on Dec. 31 - has also weighed on the performance of Reliance Communications, which is the most leveraged among listed Indian telecommunication carriers.

The latest debt figure as of end-March was not immediately available. But finance costs rose 24.3 percent from a year earlier to 9.83 billion rupees, the company said.

Worries over its debt-servicing ability hit its shares and bonds this

week.

To strengthen the business Reliance Communications is merging its wireless business with rival Aircel, and is also selling a 51 percent stake in its radio masts business to Canada's Brookfield Infrastructure Group for 100 billion rupees (\$1.54 billion).

The company expects its debt to fall by about 250 billion rupees this financial year after the completion of the deals, it said in Saturday's statement.



A worker cleans a mobile store of Reliance Communications Ltd in India.

REUTERS/FILE

# Why nuclear could become the next 'fossil' fuel

AFP, Homestead, United States

A gray dinosaur statue outside south Florida's largest power plant is meant to symbolize two decommissioned fossil fuel reactors, but it also could be seen to represent a nuclear industry crumbling under mounting costs.

Almost a decade ago, Turkey Point was aiming to become one of the country's largest nuclear plants.

Florida Power and Light had argued that such expansion was needed to maintain diverse energy sources and to supply Florida's booming population for years to come, while touting nuclear as a clean form of energy.

But now, just three reactors are in operation - one natural gas and two nuclear reactors, built in the 1970s.

And plans to build two more nuclear reactors -- first announced in 2009 -- are essentially on hold for at least four years, according to filings with the state's Public Service Commission.

"Right now our only focus is on getting all the approvals we need," company spokesman Peter Robbins told AFP.

"We are not buying construction materials."

Earlier this year, the bankruptcy of Westinghouse, builder of the AP1000 reactor -- the model scheduled for use at plants in South Carolina and Georgia as well as Turkey Point -- rattled the industry.

Both projects are now years behind schedule and billions of dollars over budget.

"We are very closely monitoring the two new nuclear projects going on," Robbins said. The Southern Alliance for Clean Energy estimates that construction on Turkey Point has been delayed until 2028 at the earliest, with costs expected to balloon to over \$20 billion.

FPL has refused to publicly revise its projections at Turkey Point, for now.

"We don't think there is value in coming up with a new cost or schedule until those reactors are closer to completion," Robbins said.

The project has been controversial from the start, and casts the spotlight on wider concerns about nuclear power.

Critics have pointed to the rising seas from climate change, risks of storm surge, radioactive waste and threats to drinking water and wildlife at the site, nestled near Everglades National Park, as reasons to stop

nuclear expansion.

Complaints have also centered on the difficulty of evacuating the densely populated area around the plant in case of emergency. Miami-Dade County is home to 2.6 million people.

"Investing tens of billions of dollars on a power plant that will be underwater one day, along with the highly radioactive waste it will produce, makes no sense," said fishing captain Dan Kipnis, one of the activists who is fighting to stop the project.

Legal challenges to the plant's planned expansion began in 2010, and continued this month with a hearing before the Atomic Safety Board.

Over the course of the two-day hearing, environmental scientists and lawyers wrangled over whether the porous limestone in Florida could really contain wastewater injected underground, without allowing toxic chemicals to seep upward into drinking water.

Currently, Turkey's Point's two nuclear reactors use a series of cooling canals to treat wastewater.

These canals were confirmed last year to be leaking into a nearby national park, after a radioactive isotope, tritium, was found at up to 215 times the normal levels in the waters of Biscayne Bay.

The three-judge safety board panel is expected to rule by year's end on whether an operating license should be granted by the Nuclear Regulatory Commission (NRC).

Throughout Florida, FPL is expanding its solar installations, and is shuttering coal plants.

Its energy mix is 70 percent natural gas, 17 percent nuclear, with the rest divided between solar, oil and coal.

Meanwhile, the ever-dropping cost of natural gas is making nuclear less attractive every day, analysts say.

"Most people think Turkey Point will never get built," said Mark Cooper, senior research fellow at the Institute for Energy and the Environment, Vermont Law School, referring to FPL's proposed two new nuclear reactors. "It turns out it was not the environmentalists, it was not the lawsuits," Cooper told AFP.

"They could not deliver a safe, economically viable product. They couldn't do it in the '80s and they can't do it today," said Cooper.

"Nuclear power is a technology whose time never came."