China economy slows: survey

AFP, Beijing

REUTERS

A general view of a shopping mall under construction in Chongqing, China, on July 13.

CHINA'S economy lost momentum in the second quarter, a survey shows, as Beijing's efforts to curb risky lending and investment took a toll on the Asian powerhouse.

The world's second-largest economy expanded by 6.8 percent in the April-June period, compared with a year ago, according to the median forecast of 12 analysts polled by AFP.

That follows a better-than-expected increase of 6.9 percent in the first three months of the year.

The estimate comes ahead of the official release on Monday of China's closely-watched GDP growth data for the second quarter.

Debt-fuelled investment in infrastructure and real estate has underpinned China's growth for years but warnings of a potential financial crisis have spurred Beijing to clamp down.

In the latest alert, Fitch Ratings on Friday said China's growing debt could trigger "economic and financial shocks" even as it maintained its A-plus rating on the country.

That follows Moody's decision in May to downgrade China for the first time in almost three decades on concerns over its ballooning credit and slowing growth.

Tighter restrictions on property purchases and bank lending will continue to weigh on the economy in the months ahead, said Larry Hu, head of China economics at Macquarie Group.

"We expect GDP growth to trend down in the second half of 2017 on slowing property sales and tight liquidity," he said.

The economy is likely to face further headwinds as consumption also comes under pressure from slowing income growth, said Fan Zhang, senior China economist at RHB Bank.

UBS chief China economist Tao Wang said "higher funding costs due to supervisory tightening" will impact fixed-asset investment -- which measures spending on real estate, roads and bridges.

But a sharp slowdown in the second half is unlikely as policymakers prepare for an important Communist Party congress later this year that will likely make President Xi Jinping the most powerful leader in a generation.

"It is therefore highly probable that authorities will use the resources and policy tools at their disposal to ensure a positive economic outcome," Citibank said.

The government has trimmed its 2017 GDP growth target to around 6.5 percent, after it expanded by 6.7 percent in 2016 -- its slowest rate in more than a quarter of a century.

Despite growing concerns about China's financial risks, Premier Li Keqiang said last month that the country could reach this year's economic growth targets.

Last quarter's growth momentum had continued into the current one, he said, noting that traditional economic indicators such as power generation and consumption, and new business orders had increased "significantly".

Flat US inflation raises questions for Fed

AFP, Washington

CHEAP energy prices kept US inflation flat in June, according to data released Friday, again raising questions about the central bank's case for continued interest rate increases.

The falling price of gasoline also helped hold down US retail sales, which contracted for the second straight month in June, while manufacturing output rose slightly but slowed in the second quarter, according to two separate reports Friday.

Slow inflation and stagnant wage growth has baffled economists given the very low unemployment rate, but US central bankers continue to say they expect inflation to rebound allowing them to raise the benchmark interest rate gradually.

The Fed has raised rates twice this year and is expected to do so once more, though probably not until December.

However, "The current data provide few reassurances for the Federal Reserve" about the growth outlook, economist Diane Swonk said. "The prospects for a third hike in short-term interest rates this year continue to dim."

The Consumer Price Index, which tracks the costs of household goods and services, was unchanged last month after falling 0.1 percent in May, the Labor Department reported.

The less volatile 12-month CPI measure slowed three-tenths from May to 1.6 percent, meaning it has slowed by more than a full percentage point since February, retreating further from the Fed's two percent target.

However, CPI excluding food and energy, categories which can see big swings, rose 0.1 percent for the third straight increase. The annual core inflation rate was 1.7 percent, the same as May but six-tenths slower than January.

The annual pace of inflation so far in 2017 has been less than half that recorded at this point last year.

Federal Reserve Chair Janet Yellen has attributed the slow inflation this year to one-off, "transitory" factors, although she said central bankers are watching the data carefully. But Chris Low of FTN financial said the transitory weak inflation was starting to overstay its welcome.

"There was widespread price weakness in components stretching far beyond cell phone plans and prescription drugs," he said in a research note, pointing to the main factors Yellen has cited.

Joel Naroff of Naroff Economic Advisors told clients the economic picture facing the Fed was clearly not what the central bank hoped for.

"With inflation low, consumption soft and manufacturing growth mediocre, it is hard to say the economy's animal instincts are out in full force," he wrote.

Industrial production rose for the fifth straight month in June, increasing 0.4 percent on a continued rise in oil and gas drilling and coal mining. However, manufacturing output was up just 0.2 percent and is up 1.2 percent year-over-year, with capacity well below its peak.

In the retail sector, Americans in June spent less on restaurants, bars and groceries, while the transition from department stores to online retailers like Amazon continued. Overall retail sales fell 0.2 percent for the month to $473.5 billion, a surprise to analysts who had forecast an increase of 0.1 percent.

Weak auto sales, which have been down in the first half of 2017, were not to blame this time: excluding that volatile category, sales were still down 0.2 percent.

Gas stations, however, saw a 1.3 percent drop in sales last month, a time when Americans traditionally hit the road for summer holidays pushing gasoline prices higher.

For the April-June period, sales were up 3.8 percent over the same quarter of 2016.

Ian Shepherdson of Pantheon Macroeconomics said the data was "inexplicably soft."

India's Infosys eyes artificial intelligence profits

AFP, Bangalore

INDIAN IT giant Infosys said Friday that artificial intelligence was key to future profits as it bids to satisfy clients' demands for innovative new technologies.

India's multi-billion-dollar IT outsourcing sector has long been one of the country's flagship industries. But as robots and automation grow in popularity its companies are under pressure to reinvent themselves.

"We are revealing new growth with services that we (have been) focusing on for the past couple of years including -- AI (artificial intelligence) and cloud computing," said Infosys chief executive Vishal Sikka, announcing a small rise in quarterly profits.

"Going forward, we will count on strong growth coming from these services," added Sikka, who signalled his intent by arriving at the press conference in a driverless golf cart.

Infosys reported an increase of 1.4 percent in consolidated net profit year-on-year for the first quarter, marginally beating analysts' expectations.

Net profit in the three months to June 30 came in at 34.83 billion rupees (540 million), marginally above the 34.36 billion rupees it reported in the same period last year, Infosys said.

India's $150-billion IT sector is facing upheaval in the face of automation and US President Donald Trump's clampdown on visas, with reports of mass redundancies.

Industry body Nasscom recently called on companies to teach employees new skills after claims they had failed to keep up with new technologies.

In April Infosys launched a platform called Nia to "help clients embrace AI".

"Nia continues to be central to all our conversations with clients as we work with them to transform their businesses," the company said in its earnings statement Friday.

AFP

Chief Executive Officer of Infosys, Vishal Sikka (C), gestures during a press conference at the company's headquarters in Bangalore to announce the software company's first quarter results for the year 2017-18, on Friday.

US banks report solid earnings

AFP, New York

REUTERS/FILE

People walk inside JP Morgan headquarters in New York.

CREDIT cards were a strength and trading revenues a weakness in the solid US bank earnings released Friday, as JPMorgan Chase chief executive Jamie Dimon erupted in frustration at political gridlock in Washington.

JPMorgan Chase, Wells Fargo and Citigroup all reported better-than-expected earnings, and bank executives described US economic growth as solid, if unspectacular, as moves by the US Federal Reserve to lift interest rates have enabled banks to charge more for loans.

Yet Friday's deluge of results, the unofficial start of the second-quarter corporate earnings period, drew a lackluster reaction from Wall Street, with shares of all three banks falling after the reports.

At JPMorgan, the biggest US bank by assets, second-quarter net income rose 13.4 percent to $7.0 billion. Net revenues climbed 4.7 percent to $26.4 billion.

Key factors behind the earnings jump included higher net interest income due to the rising interest rate environment, as well as higher overall loans, often seen as a proxy of economic activity of firms and households.

But JPMorgan's trading divisions suffered compared with the year-ago period, with the bank citing "sustained low volatility."

Analysts also were disappointed by a $500 million cut to JPMorgan's 2017 projection for growth of net interest income to $4 billion, implying it sees weaker loan growth in the second half of 2017, due in part to the Fed's policy of only raising interest rates gradually.

"We're looking at a slower rise in interest rates in general and that speaks to Fed funds rate policy," said CFRA analyst Ken Leon.

"I believe you're not going to see significant contributions of net interest income from rising rates until 2018 and 2019."

JPMorgan chief executive Jamie Dimon also made waves with a colorful tirade against Washington gridlock that he blames for blocking progress on tax reform and other growth measures needed to boost the economy.

Dimon, who is a member of President Donald Trump's business advisory council, warned the US will have trouble accelerating growth from its current 1.5 to 2.0 percent trend if it fails to come together in favor of pro-business policies.

"It's almost an embarrassment to be an American citizen traveling around the world and listening to the stupid shit we have to deal with in this country," Dimon told analysts on a conference call.

"It's not a Republican issue, it's not a Democratic issue and it doesn't matter who the pilot is."

Dimon's remarks come amid lagging progress on President Donald Trump's economic agenda, with the outlook highly uncertain for a Republican health care law that has been seen as important to tax reform.

Citigroup chief financial officer John Gerspach expressed cautious optimism about the outlook for pro-growth measures from Washington.

"The hope is still there," Gerspach said in a conference call with reporters. "Obviously it's taken a little bit longer than anybody would want."

Citigroup's net income came in at $3.9 billion, down 3.2 percent from the year-ago period, but better than analysts expected. Revenues rose two percent to $17.9 billion, with revenues from Citi-branded credit cards jumping 10 percent following a venture with Costco Wholesale.

Citigroup cited higher cost of credit and operating expenses as factors behind the drop in profit.

It also said its trading revenues were dented by an unfavorable comparison with the year-ago period, when Brexit-related trading boosted volumes.

Wells Fargo's net income rose 4.5 percent from the year-ago period to $5.8 billion. Revenues of $22.2 billion were essentially flat compared with the year-ago period.

GM teams up with Uber to expand Maven programme to Australia

REUTERS, Sydney

GENERAL Motors Co said on Saturday it was testing its car-sharing operation, Maven, in Australia through a pilot program with ride-hailing company Uber Technologies Inc.

The leasing agreement will allow Uber drivers to rent cars produced by GM's Australian manufacturer GM Holden, the company said.

"We are testing the adoption of one Maven product – Maven Gig – in Australia through a pilot program in Sydney renting Holden cars to Uber drivers," Sean Poppitt, communications director at GM Holden, said in a statement.

GM's Maven Gig program is aimed at helping drivers rent a car on demand for independent gigs such as package delivery, food or grocery delivery, and ridesharing, at a time when more people are expected to take up freelance work.

It is currently operational in San Diego and set to be launched in San Francisco and Los Angeles later this year, GM said in May.

GM announced a similar North American partnership with Uber in November last year.

A spokesman for Uber was not immediately available for comment.

Toyota made UK investment decision after Brexit reassurances

REUTERS, London

THE British government helped to secure a more than 240-million ($310 million) pound investment from Toyota in its English plant with a letter reassuring the Japanese carmaker over post-Brexit trading arrangements, two sources told Reuters.

Toyota said on March 16 it would install its new car platform at its Burnaston plant. One source, who is familiar with the letter, said that Toyota delayed the decision due by the end of December while it weighed up a number of factors including Brexit.

The business ministry has confirmed the existence of a letter but refused to release it.

The source said the letter was similar to one sent to Japanese carmaker Nissan last year when it decided to build two new models at its northern English plant. The document sparked public and lawmaker concern about secretive deals.

The source, who did not say when the letter was sent, said it contained several reassurances.

"They received a similar set of warm words as Nissan on electric vehicles, commitment to further training and to ensure the competitiveness of the UK automotive industry," the source said.

A Toyota spokesman declined to comment on whether it had received such a letter. He referred to the company's March 16 statement which said the British government was providing funding for training and research and development. Toyota also said at the time that "continued tariff-and-barrier free market access... will be vital for future success."

Britain said in March it would back up the investment from Toyota, which builds roughly 10 percent of Britain's 1.7 million cars, by spending 21.3 million pounds to support skills and training, research and development and innovation, subject to an independent assessment.

A spokesman at the business ministry declined to provide any comment for this story. Business minister Greg Clark said last year that assurances offered to Nissan were available to other firms.

Reuters made a freedom of information (FOI) request to the business ministry to see documentation relating to the investment decision, which the ministry said included a letter.