

China Inc braces for testing 2018 as profit growth slows to seven-month low

REUTERS, Beijing

EARNINGS at China's industrial firms grew at their slowest pace in seven months in November, as demand and producer price gains eased in further confirmation of ebbing growth in the world's second-largest economy.

The lower income underscores a delicate balancing act for authorities as they extend a campaign to reduce China's reliance on credit-intensive investment without imperilling the economy.

Profits in November rose 14.9 percent to 785.8 billion yuan (\$120.05 billion), the National Bureau of Statistics (NBS) said on its website on Wednesday. It marked the slowest monthly growth rate since April's 14.0 percent.

Earnings were pressured in November by a slower pace of price rises compared to previous months, He Ping of the statistics bureau said in a statement along with the data release.

He noted that November's decline in producer price inflation to 5.8 percent from 6.9 percent in October was one of the biggest of the year.

"Previous price increases were concentrated in upstream industries like coal and steel. Inflation in those areas is slowing, and the transmission of higher prices to downstream industries hasn't been very strong, which hurts profit margins," said Ye Bingnan, an economist at BOC International in Beijing.

More than half of the increase in profits in Jan-Nov came from coal mining and washing, iron and steel smelting and processing, chemicals, and oil and natural gas extraction, the statistic bureau's He said.

While the industrial sector has enjoyed a year-long construction boom that has fueled demand and prices for building materials in a boost to growth, a government-led battle to clean toxic air and a crack-down on financial risks have



REUTERS/FILE

A worker rolls away carts of unused tools between rows of spinning machine at a factory in Zhuhai City, China.

started to drag on China's economy.

Chinese steel makers in 28 cities have been ordered to curb output between mid-November and mid-March. A campaign to promote clean energy by converting coal to natural gas has also hampered manufacturing activity in northern cities due to insufficient supply and high prices.

Chinese iron ore and coke futures stretched losses on Tuesday as steel prices fell further, weighed down by seasonal weakness in demand in the world's top producer during winter.

For the first eleven months of the year, profits reached 6.875 trillion yuan, up 21.9 percent from the same period and lower than the 23.3 percent annual growth in the January-October period.

Research firm China Beige Book said in a survey out earlier on Wednesday that with demand strong and prices holding up,

Chinese firms continued to ramp up new capacity and production in the fourth quarter. However, it also showed a slowdown in hiring and wages growth in a further sign of slackening economic activity.

China has defied market expectations with 6.9 percent growth in the first nine months of the year amid the construction boom and solid exports. A slowdown has started to take hold in the last few months as the property sector cools and credit growth ebbs, with Beijing focused on controlling corporate leverage and defusing financial risks.

At the end of November, industrial firms' liabilities were 6.3 percent higher than a year earlier, compared with a 6.7 percent increase at the end of October.

But the ratio of liabilities to assets at industrial firms ticked up to 55.8 percent at the end of November, compared to 55.7 percent in October, indicating that

deleveraging outside the financial sector has been limited.

Mining industry profits rose 286.8 percent from a year earlier in January-November while manufacturing profits were up 18.9 percent, both slowing from January-October.

Profits earned by China's state-owned firms increased 46.2 percent to 1.576 trillion yuan in the first eleven months, cooling from a 48.7 percent surge in January-October.

Ye at BOC International said industrial profit growth will likely slow next year.

"We think next year investment growth will slow, specifically real estate and infrastructure investment," Ye said.

"So price, sales, and profit gains may slow in industries that are sensitive to investment, while firms related to consumer and industrial upgrades should see better performance."

Vietnam's economy grows at fastest rate in a decade

AFP, Hanoi

Vietnam's economy grew 6.81 percent this year -- its strongest rate for a decade -- thanks in part to surging exports, data showed Wednesday.

Full-year GDP growth was slightly above the government target of 6.7 percent and outstripped the 6.21 percent posted for 2016, the General Statistics Office (GSO) said.

Growth was driven by the agriculture, seafood and forestry sectors, according to GSO head Nguyen Bich Lam.

"The efficient recovery of agricultural production and the development of the aqua sector are the main reasons for growth," he told reporters.

Total exports were worth more than \$213 billion this year, a 21 percent jump from 2016, the GSO said.

The impressive growth reflects "a strong rebound of the agriculture sector, rising global and domestic demand which helped to boost manufacturing and trade, and robust foreign investment inflows," Luong Hoang from Viet Capital Securities told AFP.

"I believe the strong growth momentum will continue next year and the government's target of 6.5 percent to 6.7

percent is very feasible."

This year's growth -- the highest since 2007 according to official statistics -- emerged after a slow start to 2017.

But the economy expanded as the year wore on -- a recovery which the World Bank has attributed to the agriculture sector and the cornerstone manufacturing industry.

World Bank lead economist for Vietnam, Sebastian Eckardt, has said it would be hard to maintain the stellar performance.

"Growth this year is so high, so it's harder to carry forward next year," he told reporters earlier this month. The World Bank estimates that medium-term growth could cool to 6.5 percent.

Though Vietnam has recorded solid growth in recent years, boosted by the export of cheap goods like Samsung phones and Nike shoes, it has struggled to contain mounting public debts.

In a bid to raise much-needed cash, the government has started to sell off shares in its prized state-owned enterprises, though the privatisation process has been much slower than promised.

The World Bank said a potential rise in global protectionism could put Vietnam's economy at risk as it seeks foreign direct investment.



AFP/FILE

The efficient recovery of agricultural production and the development of the aqua sector are the main reasons for Vietnam's growth, experts say.

Apple faces lawsuits after saying it slows down aging iPhones



REUTERS/FILE

iPhone 5 and 5s models are on display in a store.

REUTERS, San Francisco

APPLE Inc defrauded iPhone users by slowing devices without warning to compensate for poor battery performance, according to eight lawsuits filed in various federal courts in the week since the company opened up about the year-old software change.

The tweak may have led iPhone owners to misguided attempts to resolve issues over the last year, the lawsuits contend.

All the lawsuits - filed in US District Courts in California, New York and Illinois - seek class-action to represent potentially millions of iPhone owners nationwide.

A similar case was lodged in an Israeli court on Monday, the newspaper Haaretz reported. Apple did not respond to an email seeking comment on the filings.

The company acknowledged last week for the first time in detail that operating system updates released since "last year" for the iPhone 6, iPhone 6s, iPhone SE and iPhone 7 included a feature "to smooth out" power supply from batteries that are cold, old or low on charge.

Phones without the adjustment would shut down abruptly because of a precaution designed to prevent components from getting fried, Apple said.

The disclosure followed a Dec. 18 analysis by Primate Labs, which develops an iPhone performance measuring app that identified blips in processing speed

and concluded that a software change had to be behind them.

One of the lawsuits, filed Thursday in San Francisco, said that "the batteries' inability to handle the demand created by processor speeds" without the software patch was a defect.

"Rather than curing the battery defect by providing a free battery replacement for all affected iPhones, Apple sought to mask the battery defect," according to the complaint.

The plaintiff in that case is represented by attorney Jeffrey Fazio, who represented plaintiffs in a \$53-million settlement with Apple in 2013 over its handling of iPhone warranty claims.

The problem now seen is that users over the last year could have blamed an aging computer processor for app crashes and sluggish performance - and chose to buy a new phone - when the true cause may have been a weak battery that could have been replaced for a fraction of the cost, some of the lawsuits state.

"If it turns out that consumers would have replaced their battery instead of buying new iPhones had they known the true nature of Apple's upgrades, you might start to have a better case for some sort of misrepresentation or fraud," said Rory Van Loo, a Boston University professor specializing in consumer technology law.

But Chris Hoofnagle, faculty director for the Berkeley Center for Law & Technology, said in an email that Apple may not have done wrong.

Cambodia sends maids to HK to plug gap after abuse scandals

AFP, Phnom Penh

CAMBODIA sent its first batch of maids to work in Hong Kong on Wednesday as the Asian financial hub scrambles to meet growing demand for domestic helpers after a series of abuse scandals.

Hong Kong is home to more than 300,000 foreign maids, mostly from the Philippines and Indonesia. But high-profile cases of abuse and forced labour have seized global headlines in recent years and threatened to stem the tide of migrant helpers.

Hong Kong has turned to Cambodia, one of Asia's poorest countries where the average monthly wage is around \$100, to offset a potential maid shortage. The city's population is rapidly ageing and demand for domestic helpers is predicted to soar among those wealthy enough to afford them.

Under the pilot project, six agencies were authorised in August to recruit Cambodian domestic workers to work in Hong Kong.

Fourteen women who have received basic training in Cantonese among other skills flew to Hong Kong on Wednesday.

Seik Malay, 30, told AFP said she made the painful decision to leave her nine-year-old daughter behind in Cambodia to earn \$550 a month on a two-year contract in Hong Kong.

"With that salary, I will be able to support my family," she said, adding that she was not worried about the potential for mistreatment at the hands of Hong Kong employers.

Ngoy Rith, deputy chief of Cambodia's labour department, who is travelling to Hong Kong with the maids, downplayed concerns

about exploitation despite a recent slew of cases of abuse.

"We have already prepared everything to handle those concerns," he told reporters before departure.

He said each Cambodian maid would be allowed to use a smartphone to contact their relatives or officials if they needed help.

Cambodia expects to send about 1,000 maids to Hong Kong next year.

A 2016 report by the Justice Centre found that one in six foreign maids in Hong Kong are subject to "forced labour".



AFP

Maids pose for a group photo before leaving for Hong Kong from Phnom Penh International Airport yesterday.

German firms optimistic for 2018, worker shortage main brake

REUTERS, Berlin

More than half of Germany's industry associations have shrugged off worries about U.S. protectionist policies and Brexit, and are more positive about their situation than they were a year ago, a survey showed on Wednesday.

The main factor holding firms back in Europe's biggest economy is a shortage of skilled labour, the IW economic institute in Cologne said.

Its poll showed that 26 of 48 industry associations were more upbeat than they were at the end of 2016 and more than two-thirds expected firms in their sector to produce more next year

than this.

"Despite the protectionist policies of U.S. President Donald Trump and prospect of Brexit, investment in Germany rose this year and will strengthen further in 2018," said IW in a statement.

Only two sectors were pessimistic - the food industry, which is worried about tougher competition and higher costs, and sections of the cooperative banking sector which are suffering from low interest rates and margins.

The IW said 24 of the 47 industry associations which gave investment estimates, expect higher spending levels from their member companies.

The main factor holding back firms is a short-

age of skilled labour, a long-standing concern in Germany.

"The production prospects in the German economy could be better if more skilled workers were available," said IW Director Michael Huether.

Most economists expect the German economy to grow for the ninth consecutive year in 2018. Earlier this month, the Ifo institute forecast 2.6 percent growth for next year, following an expected expansion of 2.3 percent for this year.

A separate survey of 820 mostly family-owned businesses, showed that 69 percent expected improvements in their operating business next year, up from 59 percent a year ago.