

German jobless rate hits record low

REUTERS, Berlin

Germany's unemployment rate hit a record low in May as jobless numbers fell, data showed, reflecting the robustness of a labour market that has become a key driver of a consumer-led economic upswing.

The seasonally adjusted jobless total fell by 11,000 - 1,000 more than forecast in a Reuters poll - to 2.358 million, the Federal Labour Office said on Wednesday.

That took the unemployment rate down to 5.2 percent, the Office said, the lowest since the country reunified in 1990.

"Unemployment and underemployment have decreased again, employment within the scope of the social security system keeps rising and labour demand is still high," Labour Office head Detlef Scheele said in a statement. "The upward trend on the labour market is continuing, albeit at a slower pace than in the winter months."

Labour Minister Hubertus Heil said he wanted to cut unemployment insurance

contributions by 0.3 percentage points to 2.7 percent of gross wages from 2019. That would amount to total annual savings of around 3.5 billion euros for employees and employers, he said.

The majority of the 800,000 job vacancies registered in May were permanent, full-time jobs subject to social security contributions. Workers were mainly sought in construction, transportation and warehousing as well as social and health care.

The rock-solid labour market is likely to further boost consumer confidence and household spending in Europe's biggest economy, which has seen domestic demand overtake exports as its main growth driver in recent years.

KfW economist Joerg Zeuner said German companies had become more cautious due to trade frictions with the United States.

"However, an end to the upswing is not yet in sight. Companies in all sectors of the economy are still hiring," he added.

Indian economy likely motored ahead in Q1

REUTERS

India's economy probably gained a little momentum in the first three months of 2018 which should ensure that it remains the world's fastest growing major economy, a Reuters poll found.

Gross domestic product expanded an annual 7.3 percent in the first three months of 2018, the May 24-29 poll of 55 economists predicted, a touch faster than the 7.2 percent achieved in the last three months of 2017 — and well above China's pace of 6.8 percent for the quarter ending in March.

Forecasts ranged from 6.9 to 7.7 percent.

If the poll is right, January-March would have the fastest expansion since before the government's surprise decision in November 2016 to scrap high-value currency notes and a botched implementation of a goods and services tax (GST) in July last year stalled growth.

"Domestic dynamics are very strong and

external volatility won't derail the current economic recovery," noted Hugo Erken at Rabobank, one of the most accurate forecasters on India GDP, and whose view is that growth reached 7.7 percent on a normal basis, well above the 7.3 percent median. On a gross value added basis, he expects growth of 7.5 percent, higher than the 7.1 percent median in a Reuters poll for that metric.

GDP data will be released on Thursday at 1200 GMT. Economic Affairs Secretary Subhash Chandra Garg said on Monday it was expected that annual growth was between 7.3 and 7.5 percent in the March quarter.

Monsoon rains hit the southern Indian state of Kerala on Tuesday, a few days earlier than normal, the country's weather office said, a development that potentially brightens the outlook for agricultural output and the economy.

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After growth slowed sharply for much of 2017, India regained its status as the world's fastest-growing major economy for the October-December quarter.

Around two-thirds of economists in the poll who answered an extra question said growth would continue at roughly the same pace through the fiscal year that began on April 1. The remaining one-third said it would pickup.

That overall steady - but strong - view was supported by expectations for manufacturing activity to have slowed only slightly in May.

The poll predicted the Nikkei Manufacturing Purchasing Managers' Index, compiled by IHS Markit, would be 51.5, a tad weaker than April's 51.6 but still comfortably above the 50-mark that separates growth from contraction.

With growth proving robust and prices on the rise, the Reserve Bank of India may change its policy stance next week.

Inflation in parts of Germany exceeds ECB target

REUTERS, Berlin

Inflation in some German regions jumped above the ECB's target rate in May, data showed on Wednesday, pointing to robust consumer demand and feeding into a debate about when the European Central Bank should curb its monetary stimulus.

Policy hawks at the ECB, including German Bundesbank head Jens Weidmann, want the bank to end its asset purchases this year and see room for a rate hike towards the middle of 2019.

But investors have dropped long-standing bets that the ECB would hike rates in June 2019 amid signs of weaker economic growth in the euro zone and market turmoil associated with a political crisis in Italy.

In Germany's most populous state, North Rhine-Westphalia, annual inflation shot up to 2.1 percent in May from 1.5 percent the previous month, the data showed. The rise was mainly driven by

higher energy, food and transport prices.

In Bavaria, annual inflation jumped to 2.3 percent. It also surpassed the ECB's price target of just below 2 percent in the states of Baden-Wuerttemberg, Brandenburg and Saxony.

The regional data suggest that Germany's national inflation rate (CPI) will rise to 2.2 percent in May, Oxford Economics analyst Nicola Nobile said.

The state inflation readings, which are not harmonised to compare with other euro zone countries, feed into nationwide inflation data due at 1200 GMT.

A Reuters poll conducted before the release of the regional data suggested that Germany's harmonised consumer price inflation (HICP) rate would rise to 1.8 percent in May.

In another sign of rising inflation in the euro zone, Spanish consumer prices rose in May at their fastest pace since April 2017, also topping the ECB's target level.

Oil bulls scurry for protection against a wave of Opec supply

REUTERS, London

Opec's plans to boost output have spooked oil market bulls, who are starting to seek protection at levels well below the current futures price in case the group delivers a rapid increase in production.

Volatility - a gauge of demand for a particular option - has risen sharply for bearish sell options at around \$67 a barrel that expire immediately after Opec's meeting with its partners that will run from June 22-23.

Saudi Arabia and Russia are discussing raising Opec and non-Opec oil production by 1 million barrels a day, sources said last week, weeks after U.S. President Donald Trump complained about artificially high prices.

Volatility on one-month downside put options, which give the holder the right, but not the obligation, to sell Brent crude futures at a pre-determined price by a set date, has risen to its highest since mid-February.

The price of Brent crude meanwhile, has fallen by 7 percent to around \$75 a barrel from 2014 highs above \$80 a barrel just a week ago.

More tellingly, the gap between volatility on bearish puts and bullish calls expiring just after June 22 has grown in the last few weeks, as expectations for Opec to keep its

supply strategy unchanged have waned.

This gap, or skew, is now around four percentage points, up from closer to 3 percentage points where it held for the past two months, according to Reuters data.

The Organisation of the Petroleum Exporting Countries and allies led by Russia agreed to curb output by about 1.8 million barrels per day (bpd) from January last year through 2018 to reduce global stocks.

However, the inventory overhang is now near Opec's target so there's no doubt that price optimism remains alive and well in the options market.

Open interest in strikes between \$60 and \$100 on August Brent futures has grown by over 50 percent to nearly 130,000 lots in the last month. Most of that increase has come from builds in open interest in strikes above \$75 a barrel. The options volatility surface, which reflects volatilities for options of different strike prices and different maturities, shows a pick-up in the last month of the premium of bearish puts over bullish calls maturing in late June.

But it also shows an increase from a month ago in demand for upside calls expiring in mid-to-late 2019, a reflection of investors' expectation that oil demand will outpace supply next year.

Greek workers strike against belt-tightening, bailout reforms

REUTERS, Athens

Thousands of Greek workers went on strike on Wednesday to protest against years of belt-tightening and a new wave of austerity measures that will kick in after the country's third international bailout expires this summer.

Some flights were grounded, ships were unable to sail and public transport was disrupted in the one-day nationwide action organized by Greece's largest labor unions, the private sector GSEE and its public sector counterpart ADEDY.

More than 10,000 striking workers, youths and pensioners marched to parliament around noon (1000 GMT), most of them waving flags of the Communist-affiliated group PAME. They held banners reading "No!" and "They have crushed our cuts."

State TV and private TV stations aired documentaries instead of news bulletins, as journalists also walked out.

from the southern Peloponnesian city of Sparta, pointing his finger at parliament.

Since its debt crisis began eight years ago, Greece has received 260 billion euros (\$302 billion) in bailout loans in exchange for implementing austerity measures such as public sector layoffs, tax hikes and pension cuts.

"The government, which implements the same policies that have destroyed the people and the economy, is loading the back of workers and pensioners with new unbearable measures," GSEE said in a statement.

Greece's largest carrier Aegean and Olympic Air cancelled three return flights and rescheduled 50 one-way flights, due to a three-hour stoppage by air traffic controllers. Buses and trolleybuses were operating on reduced hours.

State TV and private TV stations aired documentaries instead of news bulletins, as journalists also walked out.

"They (politicians) have devoured us," shouted Yannis Vlachos, a municipal worker

India's e-commerce wars to be reshaped by private label brands

REUTERS, Mumbai

For Lalit Bisht, buying Roadster jeans and T-shirts off Mynta, Flipkart's fashion operation, is a no brainer. It may take a week to deliver clothes to Bisht's small hometown in Uttarakhand, but the wait is worth it.

"The fit is perfect and price is just about right. It's a value-for-money brand," said 32-year-old Bisht, a government worker who lives in Haldwani, which had a population of just over 360,000 at the time of the last census in 2011. It is a place where options for good quality, affordable apparel are mostly lacking.

Bisht's purchases of at least 20 Roadster items from Mynta are symptomatic of the appeal of private label brands for tens of millions of aspirational Indian shoppers looking for low-cost alternatives for everything from clothes to smartphones. These are people who may want to look hip and cool but can rarely afford to splurge on the big global brands.

And with Walmart now taking on Amazon Inc in India with its \$16 billion purchase of the homegrown online retailer Flipkart, India's e-commerce wars are likely to pivot more toward private label brands.

Up until now, the battle has more often been fought through flash sales of discounted electronics but the losses in that game are unsustainably large.

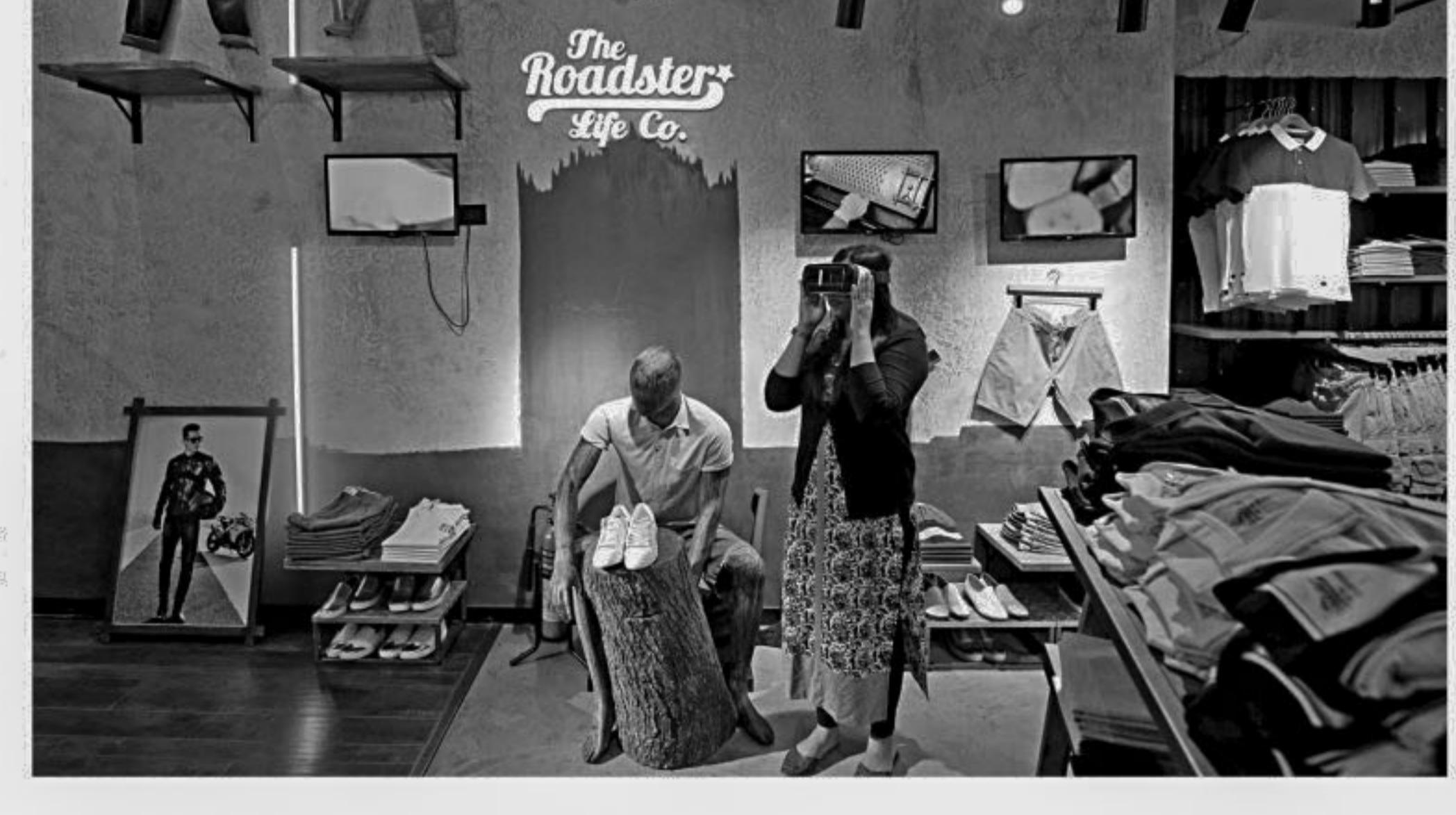
Both Flipkart and Amazon have been burning through cash to offer those discounts and a bigger push into private labels could help them make money as they control the pricing, marketing and supply chain of these brands, say analysts.

With nearly 500 million Indians using the internet in 2018 and many just dipping their toes into online shopping, private labels will woo price-sensitive customers and create loyalty and higher margins, say retail analysts.

For example, Roadster jeans for women on Mynta that start at 389 rupees (\$5.73), could lure many more buyers than the cheapest Levi's for women that begin at about 1,999 rupees (\$29.47) on the denim brand's Indian website.

Last year, Flipkart launched its private brand Billion which sells everything from T-shirts to air conditioners. It also owns electronics brand MarQ and furniture label Perfect Homes. Mynta's private brand portfolio, which comprises 13 labels, is profitable.

Amazon too has been slowly pushing into private labels in India. Its portfolio includes its global AmazonBasics brand that sells everything from headphones to stationery; Solimo for dry fruits and bed sheets, women's ethnic-wear brand Myx, men's clothing brand



A customer poses with a virtual reality headset as she browses through a catalogue of products inside a Roadster store in Bengaluru.

Symbol, and a low-cost smartphone brand 10.or.

"The role of private brands for us is to fill in specific needs gaps that are not being serviced," Amazon India head Amit Agarwal told Reuters in an interview last month. "We'll keep looking for these opportunities."

And although Amazon says making money in India is years away, Arun Sirdeshmukh, the head of its fashion business in India told Reuters last month that private brands will help it embark on "a overall long-term profitability journey."

One supplier, who asked not to be named, said retailers typically price the shoes he sells at three or four times the factory gate cost, indicating how much potential there is for the private brands to price competitively and still make a profit.

Others see opportunities for Flipkart and Amazon to take some of these Indian private label brands overseas.

Following the deal, Flipkart's co-founder Binny Bansal said a lot of the private brands it has created will be very popular with the Indian diaspora in the countries where Walmart operates. "That's something we'll be looking at," he said.

Sources familiar with Walmart's plans say private labels will be a key focus for the Bentonville, Arkansas-based retailer in India, an e-commerce market forecast by Morgan Stanley to grow to an annual \$200 billion in a decade.

Walmart's fashion brands, with clothes priced from \$5 to \$30 an item, could also be a hit with Indian shoppers, including labels like women's apparel brands Time and Tru, men's clothing brand George and kids label Wonder Nation, say analysts.

"The U.S. private label for Walmart has always been an entry price, it tends to be at the lower end of the pricing spectrum, I think that's how it will probably work in India as well," said Neil Saunders, managing director of consultancy GlobalData Retail.

Bengaluru-based Flipkart, founded in 2007 by two former Amazon employees, has grown to become India's top e-commerce firm, thanks, in part, to the exclusive launches of electronics with deep discounts.

Flash sales of smartphones or TVs, typically exclusive to one online retailer, create hype around a brand and help move inventory, but hit profitability - making them a bad long-term bet, analysts warn.

Flipkart reported a net loss of 87.71 billion Indian rupees in the year to March 2017. Amazon's international operating loss grew 29 percent to \$622 million in the first quarter, partly due to its expansion push in India, where it has pledged a \$5 billion investment.

Sources say Walmart could expedite Flipkart's push into private brands and help develop new brands to differentiate and counter Amazon, whose Prime loyalty programme is growing faster in India than in any other part of the world.