

## ECB TO PHASE OUT 500 EURO NOTE SLOWLY AFTER GERMAN BACKLASH

**FRANKFURT:** The European Central Bank looks set to stop printing the 500 euro note, arguing it is used to finance crime, although the purple bill will only be phased out gradually due to resistance from Germany, several sources familiar with the matter told Reuters.

ECB President Mario Draghi said in February the bank wanted to "make changes" to the 500 euro note due to fears it may be used by terrorists and criminals, leading to speculation the banknote may be scrapped. This prospect triggered a backlash in Germany, where the use of large bills as a means of payment and saving is deeply rooted, leading the ECB to choose a gradual process of withdrawal.

Euro zone central banking sources

told Reuters the ECB's banknote committee has tabled several options and the most likely scenario is that the purple banknote will instead simply stop being printed and distributed at cash points and bank branches in 2018.

"The most likely outcome is a very gradual phasing out," an ECB insider said. People would likely be allowed to exchange their banknotes indefinitely, mirroring the policy adopted by Germany's own central bank when the euro replaced the Deutsche Mark in 2002. A decision is expected at an upcoming non-policy meeting of the ECB's Governing Council and probably as early as May.

The ECB declined to comment. Even this compromise solution was unlikely

to be backed by Germany's central bank, which still fears that any restriction encroaches on citizens' right to cash, one of the sources said. One Bundesbank director, in fact, disputed that scrapping the note would help tackle terrorism and warned that this could instead see a little bit of "freedom" die.

Germany was one of the early champions of the 500 euro note to match the value of its old 1,000 mark note and cater to Germans' traditional preference for cash over electronic money.

### THE 'BIN LADEN'

The 500 euro note is worth more than five times the value of the largest US denomination—the \$100 bill—and has

been dubbed the 'Bin Laden' for its alleged links to terrorism and the difficulty of finding it. Nearly a third of the 1 trillion euros circulating last year was stored in 500 euro notes, ECB data showed.

Yet 56 percent of European Union citizens have never seen one, according to a 2011 ECB survey, because the note is mainly used for hoarding cash, rather than paying.

There is no official data about the use of 500 euro notes by criminals. But studies by the European Union police agency Europol, former banking executive Peter Sands and the United Nations Office on Drugs and Crime link it to crime, mostly citing anecdotal evidence. — Reuters

## GREEK PM BLAMES IMF FOR BAILOUT DELAY

**ATHENS:** Greek Prime Minister Alexis Tsipras yesterday said the IMF should stop tinkering with the country's latest bailout with European creditors, blaming the global lender for causing a delay in talks. The IMF has worked with the EU on two previous Greek bailouts but said it would not participate in the latest plan without credible reforms and an EU agreement to ease Greece's debt burden.

"Greece fails to understand why the IMF insists in changing the design of the reforms in a way that leaves their yield and simplicity intact, but makes the reform significantly less progressive," Tsipras said in an article published in the Financial Times. "Delaying the conclusion of the first review of the ESM (European Stability Mechanism) program by stubbornly insisting to ignore the letter and the spirit of the agreement does not serve the principles on which Europe has been thriving," Tsipras said.

Leftist Tsipras has repeatedly lashed out at the Washington-based global lender, and the current talks have been clouded by allegations that senior IMF officials sought to engineer a Greek default. A WikiLeaks report earlier this month said the IMF was looking for a crisis "event" to push Greece and European negotiators into accepting its fiscal targets, citing an intercepted conversation between senior IMF officials. IMF chief Christine Lagarde later dismissed this notion as "nonsense". Lagarde on Thursday said the IMF had no intention of withdrawing from the program, but hinted its role could change, without going into details. "We will not walk away. Our form of participation may vary, depending on the commitments of Greece and the undertaking of the European partners. But we will not walk away," Lagarde said. — AFP

## MARS FOOD TELLS CUSTOMERS TO GO EASY ON THE PASTA SAUCE

**LONDON:** Mars Food plans to tell customers to eat some of its Dolmio pasta sauces and macaroni cheese only once a week to maintain a balanced diet because of the products' high levels of salt, sugar or fat. The scheme is part of a larger initiative by the privately owned US food company to encourage healthier eating at a time when large food multinationals, or Big Food, are coming under increasing pressure from public health advocates and regulators struggling to fight a growing obesity epidemic.

The plan, however, does not extend to Mars' chocolate or sweets businesses, whose brands include M&M's, Snickers and Starburst. Products that are particularly high in salt, sugar or fat, including Dolmio lasagne meal kits and lasagne sauces, will come with a label advising "occasional" consumption, meaning once a week. Products with lower levels of salt, sugar or fat will be considered "everyday" products.

The company said most of its products in the UK would fall into the latter category. However, only 70 percent of its tomato sauces sold in jars already meet that standard. It did not give details for other countries but plans to introduce the labelling in all markets where those products are sold. Nearly all packaged food makers are reformulating products as they try to keep up with changing tastes of increasingly health-conscious consumers. — Reuters

## US INDUSTRIAL OUTPUT FALLS, SIGNALS WEAK Q1 GROWTH

### MINING, UTILITIES PRODUCTION FALL SHARPLY

**WASHINGTON:** US industrial production fell more than expected in March as manufacturing and mining production decreased, the latest indication that economic growth braked sharply in the first quarter. Industrial output declined 0.6 percent last month after a downwardly revised 0.6 percent drop in February, the Federal Reserve said yesterday. Industrial production has fallen in six of the last seven months. Economists polled by Reuters had forecast industrial production slipping only 0.1 percent last month after a previously reported 0.5 percent drop in February.

Industrial production fell at an annual rate of 2.2 percent in the first quarter after decreasing at a 3.3 percent pace in the fourth quarter. The report joined data on retail sales, business spending, trade and wholesale inventories in suggesting that economic growth slowed to crawl at the turn of the year.

Growth estimates for the first quarter are as low as a 0.2 percent annualized rate. The economy grew at a 1.4 percent rate in the fourth quarter. But given a buoyant

labor market, the ebb in growth is likely to be temporary.

US financial markets were little moved by the data. The industrial sector has been undermined by a slowing global economy and robust dollar, which have eroded demand for US manufactured goods. It is also being weighed down by lower oil prices that have undercut capital investment in the energy sector, as well as an inventory correction.

But there are signs the worst of the industrial sector downturn is over, with recent manufacturing surveys turning higher. In addition, the dollar's rally has fizzled and oil prices appear to be stabilizing.

Last month, manufacturing output fell 0.3 percent, the biggest decline since February 2015, after slipping 0.1 percent in February. Manufacturing was dragged down by motor vehicle and parts production, which plunged 1.6 percent after rising 0.8 percent the prior month.

For the first quarter, manufacturing output rose at a 0.6 percent rate. In March, there were also decreases in the output of

electronic equipment, appliances and components. Mining production tumbled 2.9 percent as oil and gas well drilling plummeted 8.5 percent after diving 15.8 percent in February. Last month's drop in mining output was the largest since September 2008, when output was curtailed because of hurricanes. Mining production has declined in each of the last seven months.

A plunge in oil prices since June 2014 has hurt the profits of oil-field companies like Schlumberger and Halliburton, leading to deep cuts in their capital spending budgets. Unseasonably warm weather in March hurt utilities production, which fell 1.2 percent after declining 3.6 percent in February.

With output declining last month, industrial capacity use fell 0.5 percentage point to 74.8 percent, the lowest level since August 2010. Officials at the Fed tend to look at capacity use as a signal of how much "slack" remains in the economy and how much room there is for growth to accelerate before it becomes inflationary. — Reuters



**KUALA LUMPUR:** Tourists cross a road during sunset in Kuala Lumpur yesterday. — AFP