

ECB: STIMULUS WORKING, GROUNDS FOR OPTIMISM ABOUT ECONOMY

FRANKFURT: European Central Bank officials saw "grounds for cautious optimism about the economy" at their last meeting as their stimulus measures take hold across the 19 countries that use the euro as their currency. A summary of the bank's April 21 meeting released yesterday indicates the central bank is now focused on implementing measures that have been decided but are still in the pipeline - rather than readying new ones.

The summary said "patience was needed" for stimulus to fully unfold as the bank prepares to start corporate bond purchases in June. Those would pump more newly printed money into the economy to raise inflation

from a dangerously low level of minus 0.2 percent annually and help sustain growth. The eurozone economy expanded by a relatively strong quarterly rate of 0.5 percent in the first three months of the year, but its outlook remains mixed. The ECB's focus on implementation rather than new measures comes as the US Federal Reserve is gradually withdrawing stimulus by raising interest rates. Minutes of the most recent Fed meeting in April indicate that officials widely see a rate increase as likely in June if news about the US economy continues to be good.

Stimulus measures have supported stock and bond prices and their withdrawal can make investors nervous. The ECB's bench-

mark rate is at a record low of zero and it is even levying a negative rate of 0.4 percent on deposits it takes from commercial banks to spur them to lend the money rather than hoard it. It is also buying government and some private-sector bonds, a step that in effect prints new money.

The summary of the meeting shows the board also decided to publicly remind German skeptics critical of its stimulus measures that the bank is politically independent. German economists and legislators have criticized the ECB's low interest rates as wiping out returns for savers and retirement programs. German Finance Minister Wolfgang Schäuble at one point said the ECB had

contributed to the rise of the right-wing Alternative for Germany party, which wants to restrict immigration and hold a referendum on leaving the euro.

The ECB statement didn't name Germany but said that "in light of recent public criticism that had appeared to link the ECB's decisions to developments in the political sphere in a member state" it was time to reaffirm the bank's legal independence under the EU treaty. The treaty forbids it from taking orders from elected officials. ECB officials have publicly pushed back by saying that such attacks create uncertainty that only means the bank will have to keep its measures in effect even longer. — AP



MANILA: A Filipino worker checks his phone as he waits outside a construction site at a commercial area in suburban Pasay, south of Manila, Philippines, yesterday. The Philippine economy grew faster than expected at 6.9 percent in the first quarter from the same period a year ago, its highest quarterly growth in almost three years, officials said yesterday as the government prepares to hand over leadership to the incoming administration. — AP

PHILIPPINE ECONOMY GROWS FASTER THAN EXPECTED AT 6.9%

MANILA: The Philippine economy grew faster than expected at 6.9 percent in the first quarter from the same period a year ago, its highest quarterly growth in almost three years, officials said yesterday as the government prepares to hand over leadership to the incoming administration.

Economic Planning Secretary Emmanuel Esguerra said the robust performance shows the economy's continuing high-growth trajectory and increases the likelihood of achieving the official full-year gross domestic product growth target of 6.8 to 7.8 percent. "The next administration and indeed, the next generation, inherits a rapidly growing, vibrant Philippines cushioned by robust foundations built over six years," said Finance Secretary Cesar Purisima.

The economy grew an average of 6.2 percent over the last six years. The previous quarter growth was 6.5 percent. Brash-talking Davao city Mayor Rodrigo Duterte won the May 9 presidential race by a landslide based on an unofficial count. The new administration takes office on June 30.

Esguerra said it is important not to miss the current wave of foreign investments in the region, where the Philippines is now a destination of choice. Demonstrating the maturity of its democratic institutions, policy consistency and agreement on a long-term vision are important for sustained business confidence, he added.

First quarter growth was driven by the services sector, which grew 7.9 percent and industry, which recorded its highest growth in five consecutive quarters at 8.7 percent, officials said. Investments also surged, with fixed capital posting 25.5 percent growth. Agriculture contracted 4.4 percent, the fourth consecutive quarter of decline. The quarter's growth was faster than 11 selected Asian economies, followed by China at 6.7 percent, Vietnam at 5.5 percent, and Indonesia at 4.9 percent, Esguerra said. Purisima said it outpaces China's growth for the first time in 27 years. — AP

IMF DEMANDS DECISIVE ACTION FROM EUROPEAN PARTNERS

BRUSSELS: The eurozone and International Monetary are struggling with Greece's debt crisis - not with Athens this time, but with each other over when to give Greece a break on its future massive debt repayments. The eurozone has begun talks on debt relief for Greece but wants to postpone the final decision until 2018; the IMF insists Greek debt repayment is unsustainable and investors need clarity now.

Eurozone finance ministers are likely to forge a tentative plan when they meet next Tuesday - what in Brussels-speak is known as a political agreement. But their offer is unlikely to be anything but highly conditional, eurozone officials preparing the talks said. The gist is to find a way to lower Greece's debt-repayment burden without actually cutting the debt itself via a so-called haircut. Instead, Greece's debt would be "re-profiled" - less interest, longer maturities, limits based on growth etc. On May 9, the ministers asked their deputies to explore such specific measures which could be offered to Greece "if necessary" at the end of the bailout in 2018 if Greece implements all the agreed reforms. The caveat "if necessary" has appeared in all eurozone statements on Greek debt

relief since November 2012, mainly on the insistence of countries led by Germany, which do not believe it is needed at all.

The IMF has no such qualms. "To restore debt sustainability ... decisive action by our European partners to grant further official debt relief will be essential," it has said. The eurozone, however, has its competing members' views to deal with, which they will attempt to satisfy next week. Even with the "if necessary" phrase still in, officials say Greece and its euro zone lenders could both call it a victory. "Greece can go home and say that the Eurogroup has decided 'in principle' to grant debt relief after 2018," one official said, while Berlin's hardline finance minister Wolfgang Schäuble can tell Germans that what will matter is the state of Athens' finances only in 2018 and beyond.

SPLIT

But the problem with the euro zone's "if necessary" caveat is the IMF. Berlin badly wants the Washington-based institution-widely seen as a paragon of fiscal rigor to take part in the Greek bailout to appease German hawks. But the Fund insists that debt relief is already necessary and has to be decided now, not in 2018. "The IMF is

unlikely to accept a vague promise of debt relief 'if necessary'," one official with insight into the IMF's views said. "The IMF's stance is that the mechanism and magnitude of debt relief needs to be agreed up front, before the IMF joins the program."

"The actual debt relief could be phased in over time. But by the end of any new (bailout) program, say in 2018, Greek debt would have to be judged sustainable, meaning that any relief granted thereafter would have to be locked in," the official said. "Debt relief in the outer years, beyond 2018, could depend on GDP growth, for example, but could not be conditioned on policy measures, since that implies another future program and that debt is not sustainable with just this program," he said.

But eurozone ministers, even though their own bailout fund said it had serious concerns about the long-term sustainability of Greek debt, do not want to lock in anything now, fearing that once they do, they will lose any leverage over Athens.

"Many European countries are reluctant to structure debt relief in such a way that the Greek government has no incentive to continue strict implementation of the program," another official said. — Reuters

BRITISH RETAIL SALES REBOUND

LONDON: British retail sales jumped by 1.3 percent in April from a month earlier, official figures showed yesterday, handing a boost to the economy following a string of weak data.

Sales by volume shot higher last month compared with a drop of 0.5 percent in March, the Office for National Statistics said in a statement. March's data was sharply revised higher after an initial estimate of minus 1.3 percent. "Retail sales were appreciably better than expected in April, thereby providing some welcome relief from a recent stream of largely disappointing news on the UK economy," said Howard Archer, chief UK economist at research group IHS Global Insight.

"While it still looks highly probable that the economy will suffer a further slowdown in growth in the second quarter as heightened uncertainty ahead of June's referendum on EU membership fuels business caution in particular, April's retail sales data lifts hopes that the consumer will provide some support to growth," he added. — AFP