China approves merger of two top shipping firms

SHANGHAI: China will merge two of its biggest state-owned shipping companies, official media reported yesterday, as the government seeks to reform lumbering public companies to try to bolster growth. The State Council, China's cabinet, approved the restructuring of China Ocean Shipping Group, known as Cosco, and China Shipping Group, the State-owned Assets Supervision and Administration Commission (SASAC) said on its website.

It did not detail how the restructuring will be carried out, but the official Xinhua news agency said the two would merge. "Both COSCO and China Shipping have struggled to be competitive, with overlapping investments, high costs, similar business operations and industrial chains," it quoted their chairmen as saying in a joint statement.

Cosco is the largest shipping company in the country by fleet size, and China Shipping Group has total assets of 200 billion yuan ($31.1 billion), according to their official websites. Under a merger the new entity would have a 7.7 percent share of the global container market and become the fourth-biggest company in the industry, Bloomberg News reported earlier, following APM-Maersk, Mediterranean Shg Co and CMA CGM Group, according to Alphaliner's ranking.

But the global shipping industry is in the grip of a long-term downtrend and a merger will give the Chinese firms an opportunity to benefit from economies of scale. It was not clear whether the move might be subject to regulatory approval in the European Union or United States, even though Western multinationals have had to secure the green light from Chinese authorities for some of their deals.

The approval followed news of the merger of two of China's largest metals firms, China Minmetals Corp and China Metallurgical Group Corp, announced earlier this week.

China, the world's second-largest economy, says it is overhauling its dominant state-owned sectors as it grapples with stalling growth.

SASAC said separately that loss-making state-owned enterprises (SOEs) would be given two years to improve their performance, and that firms which made losses for three years could face closure, Bloomberg News reported.

Beijing has already merged its top two train makers-China CNR Corp and CSR Corp-into a single conglomerate, aiming to avoid competition between the two as China vies for lucrative rail contracts overseas against industry giants such as Germany's Siemens and Bombardier of Canada.

Xinhua said in April that China was considering merging scores of its biggest SOEs to create around 40 national champions. Total revenue from national SOEs dropped 7.1 percent year-on-year to 13.21 trillion yuan ($2.16 trillion) in the first half of 2015, data from the finance ministry showed. — AFP

SHANGHAI: A man rides his loaded tricycle next to three schoolgirls in Shanghai yesterday. —AFP

China's Nov lending beats expectations

Total social financing more than doubles

BEIJING: New loans and money supply grew faster than expected in China in November as interest rate cuts and higher government spending spurred more demand for credit, a welcome bright spot after a raft of disappointing economic data. Chinese banks extended 708.9 billion yuan ($109.81 billion) of new loans last month, more than the 700 billion yuan economists had expected and up 38 percent from October.

Total social financing, a broader measure of net new credit, more than doubled to 1.02 trillion yuan from the previous month, while broad money supply (M2) rose 13.7 percent year-on-year, its strongest pace since June 2014 and up from 13.5 percent in October.

The stronger showing was led by increases in conventional lending, bond issuance, and corporate fundraising via equity markets, while forms of credit associated with riskier shadow banking products continued to decline, yesterday's date showed. In addition, the new lending was dominated by the long-term and medium-term loans that Beijing wants. They comprised 65 percent of total new loans, up from 50 percent in the first nine months.

Policymakers have been trying to boost productive investment through monetary easing without stimulating unhealthy speculation, which is often fueled by shorter-term financing. Beijing has been pushing hard to get bogged-down infrastructure spending back on track to offset slowing economic growth; in October fiscal expenditures rocketed up 36.1 percent, the biggest rise in over 3 years. Outstanding loans rose by 14.9 percent from a year ago, below expectations of 15.3 percent and October's 15.4 percent.

MIXED PICTURE

Other data earlier this week showed downward pressure on the world's second-largest economy persisted in November, worrying those who had expected activity to stabilise in the fourth quarter after a year-long flurry of stimulus measures including both rate cuts and fiscal spending.

"Aside from seasonal factors driving up new loans, the rebound was weaker than expected and lower than the 852.7 billion yuan in November 2014, indicating that domestic demand remained soft and banks were cautious to provide new loans amid rising credit risks," wrote ANZ economists in a research note, calling for more rate cuts in response. November exports fell for a fifth consecutive month and imports declined for the 13th month straight, while weak consumer and producer prices raised concerns that the economy could be sucked into a Japan-style deflationary trap. Activity data for November, including industrial output, investment and retail sales, is due to be released today. Credit demand has softened in China along with the economy, while bad loans are on the rise, making banks more risk averse. — Reuters

Jaguar Land Rover seals deal for $1.5bn Slovak car plant

LONDON/BRATISLAVA: Luxury carmaker Jaguar Land Rover (JLR) confirmed yesterday it will build a car plant in Slovakia, beginning a 1 billion pound ($1.5 billion) project which will be one of the biggest ever foreign direct investments in the central European nation.

The company, which is rapidly expanding its model line-up and volumes, had said in August it aimed to build a plant at the western Slovak town of Nitra with an annual output of up to 300,000 cars.

On Friday, JLR, owned by India's Tata Motors Ltd, said it will begin constructing the site next spring with around 2,800 jobs created as production ramps up. "The new factory will complement our existing facilities in the UK, China, India and Brazil and marks the next step in our strategy to become a truly global business," JLR CEO Ralf Speth told reporters after signing the deal with the Slovak government in Bratislava.

JLR's new plant will operate alongside its British plants at Castle Bromwich and Solihull in the English midlands, and Halewood in the northwest, turning out models such as the Jaguar XE sports saloon and the Range Rover Evoque.

Volkswagen, Kia and Peugeot Citroen already build hundreds of thousands of models in Slovakia, which said its membership of the euro-zone helped encourage JLR pick it over neighboring countries.

The Slovak government said it approved 130 million euros in state aid for the project, which helps Prime Minster Robert Fico project an image of strong economic management ahead of elections in March.

The car industry represents 43 percent of Slovakia's industrial output and a quarter of its exports, according to the Automotive Industry Association, which expects the country of 5.4 million to make almost 1 million cars this year.

Economy Minister Vazil Hudak said the JLR factory would create 12,000 jobs in supplier industries in addition to those at the factory. The central bank expects it may add 0.3 percentage points to economic growth next year, and 0.8 percent once production launches.

Hudak said JLR would invest 1.4 billion euros through 2021, when capacity should reach 150,000 cars. A further 500 million would raise capacity to the maximum 300,000. JLR has grown rapidly since it was bought by Tata in 2008 but has suffered in recent months due to a blast at China's Tianjin port, which destroyed thousands of its cars, and a sharp decline in sales in China earlier in the year.

Speth said targets were unchanged by the setbacks. "There is no change in previous plans, China is still the biggest automotive market in the world, we can grow even more there." —- Reuters