London groups open line to Dublin after Brexit

Brexit vote prompts enquiries to Dublin

FRANKFURT/DUBLIN: Ireland says the Brexit vote has led to a jump in enquiries from London firms considering opening offices in Dublin, one of a handful of European cities trying to draw business away from Britain's financial centre.

Irish officials say they have had more than 35 concrete enquiries from financial groups looking at setting up a base or expanding in Ireland, which is recovering after near bankruptcy in the financial crash. "Post-Brexit, it's meant a lot more meetings, more phone calls and a lot more travel," said Eoghan Murphy, the minister tasked with promoting Ireland as a financial centre. "I'm in daily contact with different players in the industry." Financial companies based in London are concerned that Britain's vote to leave the European Union will stop them selling products in the bloc. EU member Ireland's tax regime makes it an attractive alternative. However, there will be questions as to whether it can maintain its appeal after EU regulators yesterday ruled that a special scheme used by US technology giant Apple to route profits through Ireland was illegal and ordered the company pay billion of euros in taxes to the Irish government.

Ireland is trying to woo companies with the offer of a contracting entity, a legal toehold on the island that could be expanded when Britain leaves the EU, allowing them to keep the same access to the European market. Businesses are being courted by other financial centres including Frankfurt and Paris as executives consider alternatives to London while British Prime Minister Theresa May weighs when to trigger two-year-long exit negotiations.

Some, particularly in fund management and insurance, say they are warming to Dublin. Insurers Admiral and Beazley have said they are considering moving more business to Ireland while the funds arm of insurer Prudential is looking at expanding Dublin operations.

Mark Hemsley, the European head of pan-European stock exchange Bats, said that Ireland was "attractive because it's the most similar to the UK structure". Two lawyers who advise financial services firms told Reuters that a group of less than a dozen executives would be enough to open an arm for an insurer or fund manager in Ireland. Moving part of a bank, however, would typically be a bigger task, requiring more capital and staff to be relocated. "Brexit represents a historic opportunity," said Kieran Donoghue of Ireland's Industrial Development Authority. "Over the next few weeks, our approach will be dialled up."

TAX REGIME CHALLENGED

But Ireland, whose prime minister Enda Kenny once told a foreign business audience that they could "call me any time", faces obstacles to growing its financial centre, which employs more than 30,000 people. Dublin's open-door policy and flexibility could be upset by the European Commission's demand that Apple hand over up to 13 billion euros to the Irish government for only paying between 0.005 and 1 percent on European profits.

Ireland said it intended to appeal the decision. The iPhones maker cut tax by channelling profits through Irish subsidiaries. The penalty, overturning a tax arrangement agreed decades ago with Dublin, challenges the low-tax regime that has been the cornerstone of Ireland's economy. Low taxes also underpin its financial centre, home to more than 6200 investment funds, and were that regime to falter, it could dampen the interest of companies looking to relocate.

Jim Stewart, an academic with Trinity College Dublin, said Ireland's financial centre had hosted many of the vehicles involved in the financial crash and that it used "smoke and mirrors" to "camouflage" some activity.

"It is not just the tax concession," he said. "It's regulatory as well. The concession is that there is sometimes no regulation." Stewart points to the extensive use of special purpose vehicles, including section 110 companies, allowing deductions to cut tax on profits to as little as zero. Reliance on tax breaks may have spawned a financial sector with little real activity with Stewart saying investment funds are largely administrated rather than run from Dublin's International Financial Services Centre (IFSC).

"A lot of the jobs in the IFSC are fairly low skilled," he said. "The thinking is always done in a major financial centre." Such criticism is rejected by Irish authorities, including the central bank, which said licensing procedures are rigorous.

"It's the opposite to a brass plate financial centre," said Padraic White, a former head of the IDA agency. "Ireland has a transparent tax system. There is no such thing as a tax deal. There is an aspect of sheer jealousy and envy."

After years of cutbacks, Ireland also has other problems. As construction of new homes lagged, rents in Dublin have risen above the peak at the height of the property boom.

Many in London are still biding their time, listening carefully to the campaigns from Ireland, Paris and Frankfurt as well as keeping an eye on Brexit progress in Britain.

"Most thought this would never happen," said Simon Tilford of the Centre for European Reform, a London-based think tank. — Reuters

NEW YORK: A woman shops in an Aeropostale clothing store, in New York. The Conference Board released its August index on US consumer confidence yesterday. —AP

US consumer confidence in Aug highest in 11 months

WASHINGTON: US consumer confidence rose in August to its highest level in 11 months, suggesting economic growth could pick up in the second half of the year.

The Conference Board said yesterday that its consumer confidence index rose to 101.1, up from 96.7 in July. It was the highest level for confidence since the index hit 102.6 last September.

The gain reflected consumers' brighter views about current the economic situation and their expectations for the future. The percentage of those surveyed who saw business conditions as "good" increased from 27.3 percent to 30 percent. Those who viewed business conditions as "bad" remained virtually unchanged at 18.4 percent. Consumers who regarded jobs as "plentiful" increased from 23 percent to 26 percent, although those who felt jobs were "hard to get" also rose slightly from 22.1 percent to 23.4 percent. Economists said that the climb in confidence reflected stronger job gains seen in recent months, as well as strength in the stock market and home prices, which boost consumers' net worth.

They expect the momentum in jobs to boost incomes and spur stronger consumer spending. That should help growth accelerate in the second half of this year, after four quarters of an anemic average growth rate of 1.2 percent. Many analysts believe gross domestic product will top 3 percent in the current quarter. "Growth will be supported by consumer confidence and job growth," Jennifer Lee, senior economist at BMO Capital Markets, said in reaction to the consumer confidence report. The government will release the August jobs report on Friday. Many economists are looking for a gain of around 180,000 jobs. —AP

Slowing German inflation puts pressure on ECB

BERLIN: German annual inflation slowed unexpectedly in August, preliminary data showed yesterday, suggesting price pressures in Europe's largest economy remain weak despite the European Central Bank's ultra-loose monetary policy. The eurozone has struggled with little or no inflation for the past year, caused mainly by a plunge in oil prices. The ECB expects the bloc-wide figure to stay below its target of just under 2 percent for some years despite its monetary stimulus.

German prices, harmonized to compare with other European countries (HICP), were up by 0.3 percent on the year after rising by 0.4 percent in July, the Federal Statistics Office said.

This was below a Reuters consensus forecast for consumer prices to rise by 0.5 percent. DZ bank economist Michael Holstein said the surprisingly weak German inflation data indicated that the euro zone figure, due out today, would now also come in weaker than expected.

For the bloc, economists polled by Reuters so far expected the rate to inch up to 0.3 percent from 0.2 percent in July. "Now we clearly see downside risks to this forecast. We'll probably have stable inflation of 0.2 percent in the euro zone," Holstein said. "And this would clearly raise the pressure on the ECB to unleash more monetary stimulus."

A breakdown of Germany's non-harmonised consumer price data showed that energy prices remained the main drag on the headline figure, but they fell less sharply than in the previous month. Costs for food and services increased slower than in July. Holstein said he expected German headline inflation to rise in the coming months as the drag from the energy component would ease in the course of the year. "Today's German inflation data will not make the ECB's already difficult life any easier," ING chief economist Carsten Brzeski said. Still, the ECB will probably try to buy some additional time before making another move, he added.

"In order not to come entirely empty-handed at next week's press conference, the ECB could drop the current deposit rate floor for its purchases of government bonds," Brzeski said. — Reuters

France's Macron aims high at young age

PARIS: High-flyer Emmanuel Macron enjoyed a meteoric rise from investment banker to economy minister and could be about to test whether France is prepared to elect a business-friendly president under the age of 40. In just two years in the Socialist government, Macron confronted leftist ideals head-on, questioning the 35-hour work week and blaming high unemployment and weak growth on "a lack of competitiveness (and) a loss of French economic muscle".

The 38-year-old's maverick attitude has often angered his leftist colleagues, but the brickbats aimed at him by rivals have failed to derail his ambitions. "If approval was a criterion in this country, nothing would ever get done," Macron said last year. His willingness to challenge orthodoxies also extends to his personal life: at age 17, he ran off with a teacher at his high-school-a woman 20 years his senior, to whom he is married.

Quitting the government will allow him to prepare a run for president next year, possibly challenging President Francois Hollande, who plucked him from obscurity in 2014 to join his government. Macron's first big test in office was to convince the notoriously change-averse French to accept reforms to kick-start their economy, with business-friendly laws such as allowing shops to open more often on Sundays. The move sparked angry protests. Prime Minister Manuel Valls ultimately had to force the so-called "Macron Law" through parliament without a vote to avoid leftist rebels sinking it.

Macron's flair-and the fact that he is a fresh face in France's little-changing political scene-has seen him win over many young, cosmopolitan people. It is these "winners from globalization", as Le Monde newspaper described them, who flock to rallies of Macron's political movement "En Marche" (On the Move) that he set up this year. Yet, it is unclear how wide the appeal really is of a man who has never held elected office, and Macron has certainly rubbed many up the wrong way. In June, angry union activists pelted him with eggs and yelled at him to "get lost" in reaction to a video in which he told a member of the powerful CGT union that "the best way to afford a suit is to work". — AFP

Fed's Fischer says US job market 'very close' to full strength

WASHINGTON: The US job market is nearly at full strength and the pace of interest rate increases by the Federal Reserve will depend on how well the economy is doing, Fed Vice Chairman Stanley Fischer said yesterday.

In an interview with Bloomberg TV, Fischer did not comment on the timing of the next Fed rate hike but said "we choose the pace on basis of data," and that US "employment is very close to full employment." Fed Chair Janet Yellen said on Friday she thought the case had grown stronger in recent months for an interest rate increase, remarks that Fischer later that day said were consistent with a view that the US central bank might raise rates at its next policy meeting in September.

Asked about the dollar yesterday, Fischer said the currency's strength affected US inflation and company profits but improvements in the labor market showed the economy had withstood this headwind. The Fed has signaled since March it would lift rates twice this year, but investors have been skeptical.

Prices for Fed funds futures yesterday suggested they expect about a 20 percent chance of a hike next month and just over even odds for such a move in December. The Fed also has a policy meeting scheduled for early November. The US Labor Department's monthly employment report on Friday is expected to show the economy added 180,000 jobs in August, according to the median forecast in a Reuters poll. — Reuters

LAVAL: Communications director of the Lactalis Group, Michel Nalet (4thR), next to the Prefect of Mayenne Frederic Veaux (3rdR) and Central Normandy Producers Organisation (OPNC) representative Sebastien Amand (2ndR), speaks to journalists after the negotiations between milkproducers and the Lactalis group yesterday at the prefecture of Mayenne in Laval, northwestern France. —AFP

Lactalis strikes price deal with French milk producers

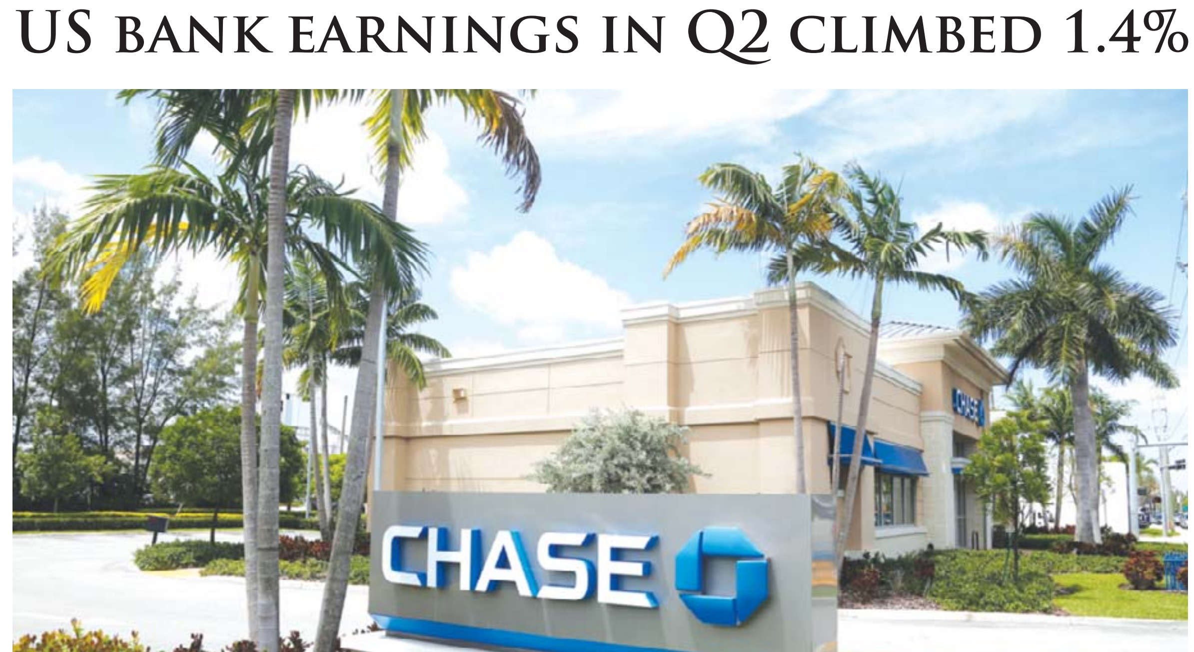
PARIS/RENNES: Lactalis, the world's largest dairy firm, reached a deal with French milk producers yesterday to raise prices paid to suppliers and farmers called off their week-long protests, the company and unions said. Lactalis agreed to pay an average 275 euros ($307) per 1,000 litres for the whole of 2016, Dominique Barrau, secretary general of France's largest farm union FNSEA, told Reuters. "It brings Lactalis to the level of its competitors," Barrau said, adding that the union had called for an end to protests. The offer was 10 euros higher than an initial proposal before the first talks on Thursday last week, unions said. Lactalis, which produces cheese, milk, butter and yoghurt with brands including President, Bridel, Galbani and Lactel, confirmed the agreement without giving any details.

French Prime Minister Manuel Valls called the deal a positive agreement on Twitter. Between 2,000 and 3,000 farmers have protested since Monday last week outside the family-owned firm's headquarters in Laval, northwestern France, bringing hundreds of tractors, cows and trailers. Farmers also carried out protests in supermarkets and called on consumers to boycott Lactalis products.

European dairy farmers are struggling with a slump in milk prices caused by oversupply after the European Union scrapped quotas last year, Russia banned Western food imports and Chinese dairy imports weakened. To reach the average level of 275 euros for the year as a whole, Lactalis will lift prices to 290 euros per 1,000 litres for the milk purchased between August and December, a member of a producers group said. Lactalis was paying 257 euros per 1,000 litres before the talks.

"It's much better than what Lactalis had offered so far," Pascal Clement, president of the FNSEA's regional branch for western France, said. Still, unions put production costs at about 330 to 380 euros per 1,000 litres, depending on the size of the farm. Lactalis does not publish results but said on its website it has a turnover of 17 billion euros ($19 billion), employs nearly 75,000 people in 85 countries in Europe, the Americas, Asia and Africa, and has factories in 43 countries. — Reuters

US bank earnings in Q2 climbed 1.4% to $43.6bn



MIAMI BEACH: A Chase Bank branch in North Miami Beach, Fla. The Federal Deposit Insurance Corp released US bank industry earnings for the second quarter yesterday. —AP

WASHINGTON: US banks' earnings in the April-June period rose 1.4 percent from a year earlier as growth in lending fueled interest income. The data issued yesterday by the Federal Deposit Insurance Corp. showed continued strength in the banking industry eight years after the financial crisis struck. However, the impact of low oil prices on energy companies led banks to continue to post bigger losses on commercial and industrial loans. The FDIC reported that US banks earned $43.6 billion in the second quarter, up from $43 billion a year earlier.

Around 60 percent of banks reported an increase in profit from a year earlier. Only 4.5 percent of banks were unprofitable, down sharply from 5.8 percent in the second quarter of 2015. — AP