China growth slid to 25-year low in 2015

Authorities struggled to stop market crash

BEIJING: China recorded its lowest growth in a quarter of a century in 2015, an AFP survey has forecast, projecting a further slowdown in the world's second-largest economy this year. Official gross domestic product (GDP) statistics for 2015 will be announced tomorrow, and the median prediction in the poll of 18 economists put expansion at 6.9 percent-down from 7.3 percent the year before.

The Asian giant is a key driver of the world economy, affecting businesses and employment across the planet, and worries about its health have roiled global markets in recent weeks and months.

The figure would be the weakest growth in the People's Republic since the 3.8 percent of 1990, a year after the bloody Tiananmen Square crackdown rocked the country and isolated it internationally.

Growth will slow further this year, the survey forecast, with the median projection for 2016 coming in at 6.7 percent. One bank, Nomura, forecast a precipitous drop to 5.8 percent.

"The real economy will continue the downturn because of destocking, the reduction of overcapacity and deleveraging," its economist Zhao Yang told AFP, citing in particular declining investment in property, a key sector. "I don't think economic growth will bottom out in 2016," he added. "It will be under rather big downward pressure for the next two to three years."

Equity slump

Chinese authorities struggled to keep control of a bucking stock market last year, weakening investor confidence in policymakers' ability to implement reform and manage the transition to a more market-driven economy.

An oversupply of empty housing in second-tier cities and stubborn overcapacity in industries dominated by legacy state-owned enterprises continue to weigh on growth.

The expansion slowdown has stalled Beijing's efforts to move the country's economic model away from reliance on exports and infrastructure investment towards consumer spending.

Even so some analysts believe that markets have overreacted to negative factors and underestimated the fundamental resilience of China, whose official growth rates still far exceed those of the developed world. In the AFP survey, economists forecast 2015 fourth quarter growth of 6.8 percent, down from 6.9 percent in the previous three months-when US growth stood at 2.0 percent.

"In spite of the strong global market response to the rout on China's equity market, we do not expect the equity slump to have a major impact on China's real economy," Louis Kuijs, an economist with Oxford Economics in Hong Kong, told AFP in an email. "Indeed, we think that global markets have overreacted."

The company expects growth to slow to 6.3 percent this year, again pointing to the property sector, but added: "Those pressures remain cushioned by robust consumption."

Off target

The 2015 forecast in the AFP poll was close to the official growth target of "around 7 percent" for the year-but questions have repeatedly been raised about the accuracy of official Chinese economic statistics, which critics say can be subject to political manipulation. Even Premier Li Keqiang reportedly once expressed doubts, telling the then-US ambassador in 2007 that some Chinese data was "man-made" and thus unreliable, and pointing to power consumption and rail cargo volume as better indicators of the true health of the economy.

But now that the services sector has grown to 51 percent of GDP, economists are divided over what alternative measurements to use. Two months ago, state media proposed a "new Keqiang index" focused on measurements of employment, income, and energy consumption per unit of GDP.

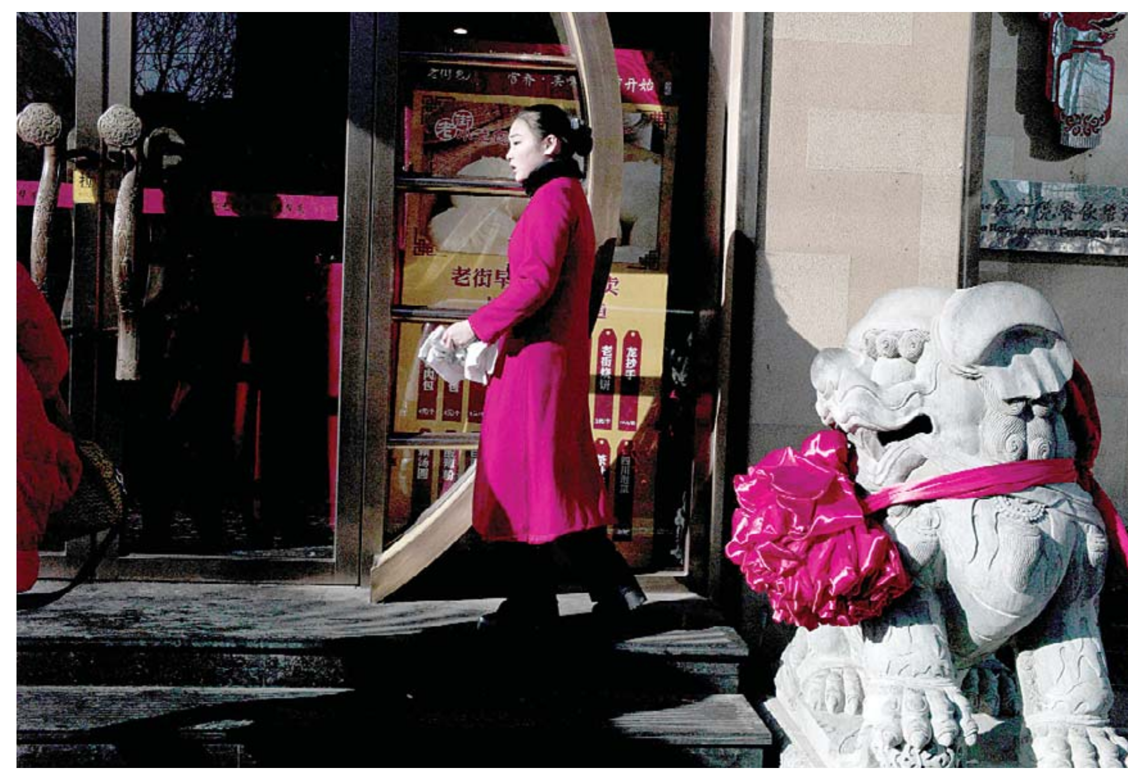
December export figures that came in ahead of expectations this week prompted doubts about whether over-invoicing, which can be used to hide capital flight, was responsible.

The world's biggest trader in goods saw its two-way business fall eight percent year-on-year to $3.96 trillion, the figures showed, far below the government's target of six percent annual growth.

At a meeting of G20 officials this week, China's top diplomat Yang Jiechi warned that "it is not possible to completely discard the possibility that an economic crisis could once again take place, and the problem should not be neglected."

Unexpected moves in the yuan exchange rate-after a surprise devaluation in August-have disturbed investors in recent weeks, who worry that the real picture is worse than portrayed and authorities are trying to boost the competitiveness of domestic manufacturers.

Analysts forecast a rocky year ahead. "The on-going deleveraging process, sluggish external trade outlook, and soft domestic demand will continue to weigh on growth," Louis Lam, China economist from ANZ Research, said. —AFP



BEIJING: A waitress waits for customers outside a restaurant in Beijing yesterday. China recorded its lowest growth in a quarter of a century in 2015, an AFP survey has forecast, projecting a further slowdown in the world's second-largest economy this year. —AFP

Optimistic Naimi says it will take time to stabilize oil market

RIYADH: Saudi oil minister Ali Al-Naimi said yesterday it would take "some time" to restore stability to the global oil market in the midst of a glut but he remained optimistic about the future.

Naimi's comments come at a time when OPEC member Iran is preparing to raise oil exports after international sanctions were lifted on Saturday. Brent LCOc1 plunged to $28.94 a barrel on Friday, its lowest in 12 years, on the prospect of additional Iranian barrels.

"As you know, the oil market has witnessed over its long history, periods of instability, severe price fluctuations, and petro-economic cycles," Naimi said in a speech at an energy event in Riyadh attended by the Mexican president and energy minister. "This is one of them. Market forces, as well as the cooperation among the producing nations, always lead to the restoration of stability. This, however, takes some time," he said.

"I am optimistic about the future, the return of stability to the global oil markets, the improvement of prices and the cooperation among the major producing countries," he added.

Naimi made a reference to the Asian financial crisis of 1998-1999 when oil crashed and Riyadh helped organise a production cut with other non-OPEC producers, including Mexico, to support prices.

Meanwhile, Iran is ready to increase its crude oil exports by 500,000 barrels a day, its deputy oil minister said yesterday. Such comments could put Iran on a collision course with Saudi Arabia and other Gulf members, who have been resisting cutting production to shore up prices.

For the past 18 months, oversupply has been the main factor responsible for dragging down prices by two-thirds, after Saudi Arabia led OPEC in a shift of its policy in November 2014 by deciding against cutting production to support prices.

Naimi said that Saudi Arabia and Mexico were to sign on Sunday "a petroleum cooperation agreement between the two countries, covering several areas including the exchange of experts, establishment of joint ventures and encouragement of mutual investments." Naimi declined to make any further comments to reporters after the event. —Reuters

German businesses put on brave face amid China crisis

FRANKFURT: German companies are trying not to let themselves be spooked by the economic slowdown in China, even if they concede they are currently seeing a drop in demand for their products there. "Of course we're experiencing a fall-off in demand in China at the moment," said Franz Hampel, head of Garant-Moebel, a furniture wholesaler.

"Our Chinese partners have become jumpy. Business has been good for them the past few years. But they're now asking themselves what the future will bring," Hampel said.

Employing a workforce of around 230 and active in around 20 countries, Garant-Moebel opened an office in Hong Kong two years ago where it employs a dozen people. However, the strong fluctuations in the Chinese currency, the yuan, resulting from the country's recent financial woes, are leading Chinese furniture retailers to roll back business, Hampel said.

Garant-Moebel is not alone in watching economic developments in People's Republic with a wary eye. "It seems obvious that the period of double-digit growth is behind us," said Jan-Christoph Block, head of international sales at drive systems specialist Getriebebau Nord in Bargteheide, north Germany.

"It's still possible to achieve growth, but it's become more difficult," he said. Both companies can be seen as representative of the mostly family-owned small and medium-sized enterprises (SME) that form the backbone of the German economy and were quick to establish a foothold in China.

It is not just big companies like Volkswagen, BMW and BASF that are suffering from China's woes, the SMEs are feeling the pinch too.

'Enormous potential'

China's economic growth is projected to slow to 6.7 percent in 2016 — its lowest growth rate since 1990 — from 6.9 percent in 2015, according to the latest forecasts from the World Bank.

The slowdown is worrying for German exporters, since China is their most important market after Europe and the United States. In 2014, Germany exported a total 74 billion euros ($81 billion) worth of goods to China, not including the sales generated by companies' local subsidiaries in China.

According to the specialist consultancy firm EAC, some of the major players listed on the Frankfurt stock exchange generated combined turnover in China of 131 billion euros in 2014, an increase of nearly 10 percent over the previous year.

So it hardly comes as a surprise that the market turbulence in China has left its mark on Germany's blue-chip DAX 30 index, too. It has lost more than seven percent since January 1.

Nevertheless, China's "enormous growth potential remains," said Block of Getriebebau Nord.

"Currently, more than 5,200 German companies are active in the People's Republic, employing a combined workforce of more than one million there," said Alexandra Voss, head of the German Chamber of Commerce in China.

"The economic slowdown in China will certainly not be painless. But the huge growth potential remains," Voss told AFP.

Exaggerated fears

A number of companies are hoping to benefit from the massive investment programme launched by Beijing to transform China from the world's biggest factory to the world's leading market place for innovation in services and technology. And the sectors covered by German companies were "particularly well placed" to take advantage of this, said Voss.

UniCredit economist Erik Nielsen also argued that "concerns over China are overdone." China's "real economy leaves no particular reason to worry, at least not in the short term," Nielsen said.

"Recent indicators suggest economic activity has stabilised and, if anything, it has probably picked up in the last few months." In November, German factory orders, a key measure of demand for goods in Europe's top economy, beat expectations, driven by rising demand both inside and outside Germany. "It would be virtually impossible for German companies to report these numbers if China was slowing dramatically," Nielsen argued.

Despite China's current woes, Garant-Moebel chief Hampel remains confident. "China remains an opportunity, thanks to rising incomes and the fact that more and more people there are able to buy consumer goods," he said. "Our sales grew in 2015 and we expect them to do the same in 2016," he concluded. —AFP

Warba Bank launches a first of its kind salary program in Kuwait

KUWAIT: Warba Bank, one of the fast-growing banks in Kuwait offering the entire spectrum of world-class Sharia-compliant banking and investment services in Kuwait and the region, has announced the launch of a state-of-the-art new campaign offering an all new unparalleled salary package program for the first time in the market.

Based on the campaign, whenever an account holder transfers his salary to Warba Bank, they will get to select one of six exclusive gifts. The first gift consists of customers to be classified as Al-Safwa customers. This classification comes with a number of exclusive perks such as a concierge service that provides access to lounges, and a personal assistant, a dedicated RM, an initial welcome gift as well as an annual gift, and preferential rates on financing.

While the second gift is about cash prizes starting from KD 50 to KD 2500 deposited into the customer's account. Each customer is entitled to an electronic coupon for every KD 100 of their salary and will receive between 10 and 25 electronic coupons. Each coupon entitles them to prizes of KD 5, KD 10 or KD 100.

For customers willing to have profit free loans, they can select 'Al Qard Al-Hasan', another prize included in the salaries' campaign, offering up to KD 5,000 which must be settled within 18 months, without profits or management fees. As per the credit policy, this option is only available for customers who have not previously obtained Qard Hasan.

Account holders can also select the fourth prize which offers a financing option of up to KD 50,000 over five years. This is the equivalent of taking a five-year loan and paying the profit on four years only. Financing terms are based on the credit regulations policy.

As for the fifth prize, customers can choose to open a fixed deposit Wakala of up to KD 30,000 which is expected to offer an expected profit rate of 2.5 percent for one year. Rules and regulations apply.

The sixth final option is three free of charge cards for a period of three years. These cards include a full payment platinum card, a supplement full payment platinum card and a pre-paid card.

Warba bank is also still running its cash back campaign encouraging customers to use their credit cards. Upon each usage of their pre-paid or post-paid cards at any Point of Sale, customers will have the chance to enter the monthly draw which offers them to get back up to 100 percent for each KD100 spent.

Salary account holders also benefit from a number of other perks such as instant card issuance from the bank's branches, free SMS service, and competitive profit rates on Investment Savings Accounts.

For more details about the bank's products and services as well as its branch locations, exclusive offers, terms and conditions and customer rights, visit www.warbabank.com or Facebook, Twitter, and Instagram.

IMF resists a return to still-struggling Greece

WASHINGTON: The Europeans want it and Athens is resigned to its presence. But the International Monetary Fund has still not decided whether it will participate in the third financial bailout for Greece, and continues to set out its conditions.

"We have not decided anything in the financial sense on a possible participation," IMF Managing Director Christine Lagarde said in an interview published Friday.

In 2010 and again in 2012, the world's crisis lender was a key member of the "troika" behind the rescue plans for Greece, together with the European Commission and the European Central Bank.

Deeply worried over a meltdown of the eurozone, the IMF had gone so far as to create a special "systemic exception" that allowed it to go beyond its loan limit rules in special situations. It then committed its largest loan in history to Athens, eventually close to 50 billion euros ($55 billion) in total. The IMF then took a central role in setting the terms for Athens's rescue, dictating economic reforms and instituting financial discipline, which included a harsh dose of austerity, in return for its involvement.

IMF wants to move on

But the times have changed, even as the country remains in recession after five years under the stewardship of the troika. The IMF does not appear now so willing to join the Europeans, who agreed last summer on a new 86-billion-euro plan to support Greece.

Yet, under pressure from the Germans, the European institutions have made the IMF's involvement a primary condition of their deal. And the Greeks, who have alleged that the Fund bears "criminal" responsibility for their suffering under the first two programs, which failed to stabilize the economy, have also accepted the idea. "The IMF's participation is planned. We are sticking to this commitment," Finance Minister Euclid Tsakalotos told the German newspaper Handelsblatt this week.

So far the IMF has remained unmoved by the appeals. Before it gets involved again, the Fund is pressing Greece to implement more tough austerity measures.

It also insists that the European institutions cut Greece's debt burden, which has reached nearly 200 percent of the size of its economy. "We need both legs," IMF spokesman Gerry Rice said this week, referring to the two conditions. He stressed that the Fund remains in talks with the other parties.

But the IMF also appears desirous of moving beyond the controversial chapter in its history, which saw it twisting its own rules to lend huge sums to Greece before, the country had stabilized its finances, or made its debt "sustainable," as is usually required for a Fund loan.

"There are a lot of people at the IMF, particularly in the emerging markets, who are saying, 'What's going on here? The IMF has got one set of rules for the emerging markets where they're tough, and when it comes to the Europeans, they don't mind that the country doesn't meet the conditions,'" said Desmond Lachman, a former IMF official. —AFP

Memories of Swiss franc crisis linger one year on

LONDON: Switzerland's notorious Swiss franc crisis, which rocked markets one year ago and sent the currency spiking, could return to haunt traders, some analysts warn.

The nation's central bank stunned foreign exchange and other financial markets on January 15, 2015, when it unexpectedly scrapped efforts to stop the franc rising against the European single currency. The Swiss National Bank (SNB) decided to abandon the minimum rate of 1.20 francs against the euro that it had been defending for more than three years. Following the announcement, the Swiss national currency immediately spiked in value, sparking turmoil on global financial markets. However, fast forward one year, and the Swiss franc has erased a large part of those hefty gains. The SNB's decision last year to abandon the franc's exchange rate floor was felt globally as the franc immediately strengthened by 30 percent against the euro.

Share prices of Swiss companies heavily dependent on exports took a nosedive. The crisis also wiped out at least two international foreign exchange brokers-London-based Alpari UK and Global Brokers NZ in New Zealand-which both declared insolvency after clients' losses were passed on.

"2015 started with a bang," said Simon Smith, chief economist at currency broker FxPro, describing the Swiss franc crisis as a "black swan" moment, or extremely rare and unexpected event that alters the markets landscape. —AFP