



HANGZHOU: A Chinese customer selects vegetables at a supermarket in Hangzhou, east China's Zhejiang province yesterday. China's producer prices fell at their slowest rate for more than four years in August, the government said yesterday, another sign of stabilization in the world's second-largest economy. — AFP

SPAIN'S CONSTRUCTION FEELS THE CHILL OF POLITICAL VOID

GOVT UNABLE TO SIGN OFF ON NEW PROJECTS

MADRID: Spain's convalescing construction sector was hoping to move on from a national economic crisis which at its height saw abandoned building sites and bankrupt infrastructure projects littering the landscape. But a political paralysis that has left the country without a settled government for all this year could stall a return to better times.

Industry figures from builders and designers to material suppliers are expressing concern that no administration is now able to sign off on new projects, compounding years of cuts in public spending.

"It's difficult to distinguish whether the fall in activity comes from the lack of government or because we still haven't pulled out of crisis," said Jose Maria Carbajo, manager at Acento Ingeniería.

His small Madrid-based company had a good run in recent months, winning contracts to repair a Metro line in Madrid and reinforce a bridge in the central region of Castilla-Leon. But like others in the sector, Carbajo expects the ripple effects from the political paralysis will become clearer in the weeks ahead.

Following two inconclusive national elections, Spaniards could be heading to the ballot box for the third time in a year after acting Prime Minister Mariano Rajoy last week lost a parliamentary vote of confidence for a second term. The industry is one of the most vulnerable to the lack of leadership which appears to have done little until now to hinder a three-year rebound from recession. Spain posted growth nearly three times the eurozone average in the second quarter.

While a flood of foreign funds has jolted the housing sector back to life, public works spending has slumped by more than three-quarters in the past six years as the state slashes costs to trim its public deficit, industry figures show. Cement consumption has fallen to its lowest levels since 1965, according to building materials lobby group Oficemen.

Rajoy's acting government called an end to new spending on all but essential items such as pensions in July, four months ahead of schedule, in a bid to try and keep the deficit in check, and industry players expect the situation to worsen as plans to draw up next year's national budget stall.

"The impact from the budget will be felt from now on," said Eduardo Sanchez, head of projects at Sistema Ingeniería, a Canary Islands-based designer of large-scale projects like roads, bridges and ports. "Everything that hasn't been signed off so far won't go ahead - that's between a third and a quarter of what they were going to do this year," he said.

Though half of the designer's business came from Spain last year, revenues are holding up thanks to expansion abroad to countries like Senegal and Panama, he added.

BUDGET IN SPOTLIGHT

Low oil prices and inflation, robust exports and a turnaround in Spain's ailing job market, thanks in part to a record tourism season, have put the economy on course to expand by close to 3 percent in 2016. Yet with a fully-functioning government, Spain might have posted even higher growth rates, economists

say, while it will not be best-placed to ride out the slowdown expected as of 2017 when the recovery moves into a lower gear, closer to 2 percent.

Spain is unlikely to be able to present a new budget for 2017 by a mid-October deadline set by the European Commission, and the economy ministry has said it would instead file an extended version of this year's plan.

Builders are the ones most likely to feel the pinch as a result going into next year. "It does not allow you to plan new infrastructure projects, so it means construction companies will feel the paralysis a little longer," said Juan Jose Toribio, professor of economics at the IESE business school.

The sector makes up some 5 percent of gross domestic product, versus over 10 percent before a construction crash that began in 2008.

Firms linked to construction, from glass providers to cement suppliers, are clinging on to contracts awarded months ago and overseas markets they branched into after demand at home collapsed during a long recession. Some builders, including larger ACS, have warned that even with a new budget, deficit constraints mean state-funded infrastructure projects will remain scarce, with maintenance contracts providing the bulk of activity.

But even these need to be signed off. "The sooner a government is in place, the sooner we'll get some activity," ACS's director general Angel Garcia Altozano told analysts in July, when it reported a 15 percent drop in Spanish construction revenues for the first half. More than 80 percent of its sales now come from overseas. — Reuters

GLOBAL AIRPORT TRAFFIC GREW 6.4% FASTEST RATE SINCE 2010

MONTREAL: Global airport traffic grew at its fastest rate last year since 2010, rising 6.4 percent to 7.2 billion passengers, according to data published yesterday by an international trade association representing airports. But passenger growth this year could be tempered by the threat of militant attacks, geopolitical unrest and potential bottlenecks for passengers lining up to clear security checks, said the report by Montreal-headquartered Airports Council International, or ACI.

"It is important to maintain cautious optimism as we navigate through 2016," ACI World Director General Angela Gittens said in a news release. "There are several impediments that could curtail the continued rise in demand, which could potentially encumber growth prospects over the short and medium terms." While the highest number of passengers, 2.46 billion, went through the Asia-Pacific region in 2015, up 8.6 percent from a year earlier, Atlanta's Hartsfield-Jackson remained the world's busiest airport, the report said.

Passenger traffic in emerging markets and developing economies soared 8.1 percent in 2015, compared with a 5.2 percent rise in slower-growing mature markets, said ACI, which collects data for over 2,300 airports in 160 countries.

Passenger traffic generated by Brazil, Russia, India, China and South Africa grew 8.2 percent on an annual basis. Globally, there were 37 large airports with over 40 million passengers, more than double the number in 2005. "This level of growth is unprecedented, particularly since a majority of the airports in this category are from the typical mature markets of North America and Europe," the release said.

It said North America experienced a resurgence in air transport demand, especially at many of its large hubs, following years of consolidation and capacity discipline by US airlines. Large airports are benefiting from capacity shifts where flights are being directed through major connecting hubs. — Reuters

EU REGULATORS POISED TO SEEK DEEPER CUT IN ENERGY USE

LONDON: EU regulators are poised to propose a binding target to cut energy use by 30 percent by 2030, a more ambitious goal than previously discussed, according to a draft document seen by Reuters. The draft law, which the European Commission is expected to publish next month, is part of a set of proposals to implement 2030 goals on cutting emissions, increasing renewable energy use and preventing energy waste.

A preliminary agreement was reached in October 2014 when the 28 member states agreed to increase energy savings by at least 27 percent compared with business as usual.

Since then, political momentum for a deeper cut has grown as using less energy curbs dependency on imports from nations such as Russia, while creating jobs in construction and insulation. Following Britain's vote in June to leave the European Union, the EU executive has also been keen to promote the social benefits of its policies.

Climate and Energy Commissioner Miguel Arias Canete has said every 1 percent improvement in energy efficiency could lift 7 million people out of energy poverty because their homes would be better insulated with lower energy bills.

A draft seen by Reuters refers to a 2030 30 percent binding headline target on energy efficiency. The document has yet to be agreed formally by the EU Commissioners.

The 30 percent compares with an existing target of 20 percent for 2020, which initially was not binding and the bloc was far from achieving until a law in 2012 forced progress.

The European Commission said it could not comment on an unpublished document. EU sources, speaking on condition of anonymity, said there was broad support in the Commission for the 30 percent binding target, which had the related benefit of cutting emissions because less energy would be burnt.

They said the Commission was keen to use the target as a step towards implementing the Paris Agreement on climate change, especially as the United States and China have beaten the European Union to ratifying the deal.

A proposal to share out a 2030 target to cut greenhouse gases by at least 40 percent was published in July. It has to be debated by member states and the European Parliament before it can become law. Non-governmental organisations have pushed for an efficiency goal of 40 percent, which is supported by the building insulation industry and efficiency campaigners. — Reuters