Cathay Pacific shares rise after management change

HONG KONG: Shares in Hong Kong carrier Cathay Pacific were up yesterday, a day after the airline announced a management shakeup on the heels of its first loss in eight years. Last month the troubled airline posted its first annual net loss since 2008, citing intense competition as lower cost carriers, particularly from mainland China, eat into its market share.

It reported a $74 million net loss for 2016 and warned that 2017 would be similarly "challenging", later saying it would slash staff costs by 30 percent. Cathay announced a major restructuring program in January, but it has not said how many jobs it intends to axe. Its shares were up 2.56 percent near the break in Hong Kong at HK$11.20 ($1.44), after recovering from a mid-morning dip following the appointment of its new chief executive officer.

The move will see its current CEO Ivan Chu, who has been in the job for three years, replaced by the airline's chief operating officer Rupert Hogg starting May 1. "Rupert will lead the airline through its three-year corporate transformation program with the aim of becoming more agile and competitive in the challenging market place," Cathay chairman John Slosar said in a statement Wednesday.

Financial analyst Jackson Wong told AFP the airline had made the right move, but investors remain cautious, awaiting further details on its restructuring plans. "They cut the CEO, that sends a signal to the investors that they are committed to reshaping the whole company," Wong of Huarong International Securities said. Shares in Cathay have fallen 29 percent since Chu was appointed as CEO in 2014 despite an 11 percent gain in the benchmark Hang Seng Index in the same period, Bloomberg News reported.

Companies like China Eastern and China Southern Airlines are offering direct services to Europe and the United States from the mainland, while budget carriers like Spring Airlines have targeted regional travelers, undermining Cathay's position. The airline is also losing premium travelers as it comes under pressure from Middle East rivals which are expanding into Asia and offering more luxury touches. —AFP

Korea raises 2017 growth outlook amid trade fears

SEOUL: South Korea's central bank yesterday raised its growth forecast for this year but warned the pace of recovery could be affected by rising protectionism. The Bank of Korea said it expected expansion of 2.6 percent in 2017, up from its earlier projection of 2.5 percent given in January, marking the first upward revision in three years. It left its key interest unchanged at a record-low 1.25 percent for the 10th consecutive month in a move aimed at maintaining financial stability with uncertainty both at home and abroad.

"The Board sees the global economic recovery as likely to be affected by factors such as the directions of the new US government's economic policies," it said in a statement following a monthly board meeting. The bank said the pace of monetary policy normalization by the US Federal Reserve and "movements toward spreading trade protectionism" were other factors that could hamper the global economy. The Trump administration's "America first" focus has raised the specter of protectionism to reduce the large US trade deficit, which could see higher tariffs on imports.

While South Korea's economy has shown moderate growth, the central bank warned growth in exports and domestic demand is "expected to be limited, owing to changes in conditions related to trade with major countries". Exports rose for the fifth consecutive month in March while retail sales expanded 3.2 percent in February from a month earlier, signaling a pick up in consumer sentiment. Strained economic ties with China following Seoul's decision to deploy a US missile defense system remains a key factor that could put a damper on South Korea's economic recovery.

Beijing launched a series of measures against the South seen as economic retaliation, forcing dozens of South Korean retail stores in China to shut their doors and banning Chinese tour groups from visiting. "We will use all possible measures to counter (Beijing's retaliatory measures) but we will not let go of our economic cooperation with China," the country's finance minister Yoo Il-Ho told a government meeting. —AFP

BEIJING: People buy strawberries at a market in Shunyi on the outskirts of Beijing. —AFP

China economic brightens as trade up, tensions down

Donald Trump softened his stance on Beijing

BEIJING: Chinese exports surged in March, the largest jump in two years, in the latest sign of robust global demand as concerns ease over a possible trade war with the US after President Donald Trump softened his stance on Beijing. The new figures, released yesterday, boost hopes that the world's number two economy is getting back on track after a recent slowdown-it grew last year at its slowest pace in a quarter of a century.

Trump, who had a cordial summit with Chinese President Xi Jinping last week, reversed course on an election campaign promise to label Beijing a currency manipulator and slap punitive tariffs on Chinese imports. He traded in his acerbic denouncements of the Asian giant's "rape" of the US economy for warm praise, telling a press conference he was "very impressed" and shared "a very good chemistry" with Xi.

In a positive sign for the Chinese economy, exports jumped 16.4 percent year-on-year to $180.6 billion in March, the country's customs agency said, marking a dramatic turnaround from the 1.3 percent year-on-year drop recorded in February. Imports also rose 20.3 percent year-on-year to $156.7 billion last month, Customs said, while the trade surplus increased to $23.9 billion.

A pickup in external demand, surging import prices, and a stable domestic economy boosted the figures, Customs spokesman Huang Songping told a press briefing on Thursday. The March data "reflects strong domestic demand, particularly investment demand," Zhao Yang of Nomura said in a note. "China has finally caught up with the rest of Asia with the end of the trade recession," Raymond Yeung of Australia & New Zealand Banking Group told Bloomberg News.

Softening rhetoric

While recent data has suggested China's slowdown may be stabilising, the tough language deployed by Trump had raised concerns that growing friction between the world's two top traders could tank the global economy. On the campaign trail, the billionaire politician frequently took Beijing to task for its business and fiscal policies, branding the country a currency manipulator and threatening to slap 45 percent tariffs on its imports.

China for years was accused of keeping its currency artificially low to make its exports cheaper and more competitive compared to US goods. But in an interview published on Wednesday in The Wall Street Journal, Trump said: "They're not currency manipulators." He added that Beijing had not been manipulating its currency for months-a point economists have been making for a much longer time. "The risk of a trade war has diminished substantially" following recent discussions between the two leaders, said Australia & New Zealand Banking Group's Yeung.

Nevertheless, the situation remains fluid. Trump has continued to hit out at China for its massive trade deficit with the US, which was $17.7 billion in March, according to the customs data. "The foreign trade situation in China is still complex with many instabilities and uncertainties, and the difficulties that China faces are not short-term ones," the agency's spokesman Huang said, adding that foreign trade expansion is likely to fall back in the second quarter.

Trump and Xi have agreed to pursue a 100-day plan on trade, which could include measures to reduce the deficit. But it remains unclear how far China will go to increase US imports. "The reality is that China's domestic investments and property markets are the dominant growth drivers this year instead of trade," Betty Wang and David Qu of ANZ Research wrote in a note. —AFP