China's economic recovery gathers speed as consumers open wallets

Industrial output accelerates , retail sales grow

BEIJING: China's industrial output accelerated the most in eight months in August, while retail sales grew for the first time this year, suggesting the economic recovery is gathering pace as demand starts to improve more broadly from the coronavirus crisis.

An annual decline in fixed-asset investment over January-August also moderated thanks to expanded stimulus from Beijing, but authorities remain wary about the outlook given heightened external risks, including from intensifying Sino-US tensions.

After the pandemic paralyzed the economy, China's recovery has been gaining momentum as pent-up demand, government stimulus and surprisingly resilient exports propel a rebound. Floods across southwestern China that disrupted production in July have receded.

"Strong external demand, a further recovery from the pandemic and pent-up demand from the floods all contributed to the robust activity data in August," Ting Lu, chief China economist at Nomura, said in a note to clients. "We expect a further, albeit gradual, recovery of the services sector, a steady improvement in retail sales and elevated fixed-asset investment growth."

Industrial output growth quickened to 5.6 percent in August from a year earlier, the fastest in eight months, data from the National Statistics Bureau showed yesterday. Analysts polled by Reuters had expected a 5.1 percent rise from 4.8 percent in July. Retail sales also beat analysts' forecast with a 0.5 percent rise on-year, snapping a seven-month downturn and bettering expectations for zero growth. In July, sales dropped 1.1 percent, but consumer confidence has been picking up lately, from spending on automobiles and duty-free shopping.

Auto sales rose 11.8 percent in August year-on-year while sales of telecoms products jumped 25.1 percent, the data showed. The decline in fixed-asset investment slowed, falling 0.3 percent in January-August from the year-ago period, compared with a forecast 0.4 percent slide and a larger 1.6 percent decline in the first seven months of the year.

Private sector fixed-asset investment, which accounts for 60 percent of total investment, fell a less steep 2.8 percent in January-August, compared with a 5.7 percent decline in the first seven months. Property investment, a crucial growth driver, also jumped the most in 16 months in August.

Trade tension clouds growth outlook

BEIJING: People walk outside a shopping mall in Beijing yesterday. Coronavirus-ravaged economies across the Asia Pacific are expected to contract this year for the first time in nearly six decades, throwing millions of people into poverty, the Asian Development Bank said. — AFP

In commodities, China posted record output in both crude steel and aluminum last month thanks to robust demand from the construction sector and recovery in automobile sales.

"We think that China's economic recovery is on a reasonably firm footing now and should continue through Q4 and into 2021, with solid investment growth, gradually recovering consumption momentum and resilient exports," said Louis Kuijs at Oxford Economics. Chinese stocks led Asian markets higher, while the yuan currency rose to 16-month highs on the upbeat data.

Risks to recovery

Recent economic indicators ranging from trade to producer prices and factory activity all suggested a further pick up in the industrial sector, and the broader economy. Government stimulus has been a powerful domestic driver, while momentum has also been supported by Beijing's largely successful efforts to get the virus under control. "Fiscal and monetary policy stimulus should continue to support the recovery. But we expect the impact of policy stimulus to lose some punch with credit growth easing in Q4," Oxford Economics' Kuijs said.

Data last week showed China's August exports marking the strongest annual gain since March 2019, as more of its trading partners eased coronavirus lockdowns. Lu at Nomura has raised forecasts on China's third-quarter economic growth to 5.2 percent, versus the actual 3.2 percent pace in April-June, and expects fourth-quarter growth to pick up further to 5.7 percent. — Reuters

Former Ghosn aide Greg Kelly pleads not guilty

TOKYO: Greg Kelly, a former aide to ex-Nissan chief Carlos Ghosn, pleaded not guilty yesterday to a charge of financial misconduct as the trial against him began in Tokyo. Ghosn is now at large as an international fugitive, after jumping bail and fleeing Japan for Lebanon last year, leaving Kelly the only person facing trial in the roller-coaster saga.

Kelly entered a plea of not guilty yesterday to the single charge he faces-conspiring to under-report tens of millions of dollars in pay that Ghosn was allegedly promised after his retirement. "I deny the allegations. I was not involved in a criminal conspiracy," Kelly said.

The trial, expected to last around 10 months, centers around the question of whether Kelly and Nissan between 2010 and 2018 illegally concealed payments of around 9.2 billion yen ($87 million at today's rates) promised to Ghosn on retirement. Nissan, which is on trial alongside Kelly, says they did, and pleaded guilty to the charge against it yesterday.

But Kelly, who faces up to 10 years in prison if convicted, has consistently denied any wrongdoing, arguing-as does Ghosn-that no final agreement was made on any post-retirement pay and therefore no disclosure was legally required. Kelly, who turned 64 yesterday, entered the court dressed in a dark suit and red striped tie and wearing a surgical mask. He declined to speak to media gathered outside for the trial.

TOKYO: Greg Kelly (left), former representative director of Nissan Motor Co, arrives ahead of his appearance at the Tokyo District Court in Tokyo yesterday. — AFP

Inside the courtroom, he described Ghosn as an "extraordinary executive" who brought Nissan back from the brink of bankruptcy and was considered a "retention risk" because rules introduced in Japan from 2010 limited executive pay. He said various options for additional pay to Ghosn were considered, and he "took it for granted" that any compensation would be "lawful". "The evidence will show I did not break the law," Kelly added.

Defense 'confident'

Nissan and Japanese prosecutors disagree, arguing they have evidence that future payments were pledged to Ghosn and therefore should have been disclosed in the firm's financial filings as required by Japanese law. Prosecutors have amassed a vast trove of documents, only a small portion of which the defense have been given so far, according to Kelly's lawyers.

His defense team told AFP they agreed to move to trial despite that, arguing they had "no choice" because Kelly-who has been out on bail in Tokyo since December 2018 — is separated from most of his family while he waits for his case to go to court.

His wife Dee has stayed in Tokyo with him and told reporters it was "disappointing" that Ghosn would not be testifying. "But he is not here and he made the choice and he had to make that choice," she said. "He is going to have to deal with the consequences of the choice he made."

Kelly's legal team say they are confident he can be acquitted-despite the track record of Japan's prosecutors, who win over 99 percent of the criminal cases they bring to court. — AFP

Nigeria's petrol, power price rises hit businesses

ABUJA: Daniel Oyelesi, who runs a laundry business in Nigeria's capital Abuja, is reeling from the double whammy of price rises for petrol and electricity imposed in recent weeks that he says will harm his two-year-old business. Earlier this month Nigeria's president said the increases, announced days apart in early September, were needed to bolster Africa's biggest economy, which for years has been urged by multilateral lenders to remove costly fuel subsidies and change electricity tariffs, both of which held prices artificially low.

Before electricity price rises were implemented, Oyelesi - who works out of a cramped kiosk filled with piles of clothes, a washing machine, tumble dryer and ironing board - spent 20,000 naira ($52.63) on power each month. He said that sum was now likely to last two weeks.

"I won't say I'm coping... it has not been easy for us," said Oyelesi. He added that he feared losing customers if he raised his prices. Ochuko Kosefe, a barber, also lamented price hikes that made him feel "sick".

Sat behind a cash desk where he watches one of his two hairdressers cut the hair of a young boy, Kosefe said higher fuel costs meant he rationed the use of his diesel powered generator which, like many businesses in Nigeria, is used to make up for the patchy power supply provided by the national grid.

Nigeria's economy contracted by 6.1 percent in the second quarter due to the impact of the coronavirus pandemic and low oil prices. Africa's top oil exporter relies on crude sales for 90 percent of foreign exchange earnings. Last month sources said a much-needed $1.5 billion World Bank loan was held up due to concerns over the implementation of reforms such as the fuel and electricity price changes. — Reuters

Is zero-emission truck maker Nikola the new Tesla?

NEW YORK: With its electric and hydrogen-fueled trucks, the firm Nikola aims to revolutionize the future of the transportation sector. But with one investor claiming the group is running on empty, it has been having a rollercoaster ride on the stock exchange for the past week.

Founded in 2015 by Trevor Milton, the company is mainly working on the development of trucks and pick-ups powered by electric batteries or hydrogen fuel cells, as well as building out hydrogen recharging stations. Although it has not yet built anything, it has forged strategic partnerships with several renowned industrial groups including the German engineering giant Bosch, the Italians CNH Industrial and, most recently, US car-maker General Motors.

The announcement of the latter partnership on September 8 caused shares to leap 41 percent on the New York Stock Exchange, where the group was floated in June via a merger with a company called VectoIQ, founded by a former senior executive at GM. Like Tesla, Nikola has benefited on Wall Street from investor infatuation with electric vehicles, considered to be the future of the automobile.

But the investment company Hindenburg Research published a report on September 10 accusing the start-up of "intricate fraud" based on multiple lies by the company's founder Milton, who it said "misled partners into signing agreements by falsely claiming to have extensive proprietary technology."

NEW YORK: With its electric and hydrogen-fueled trucks, the firm Nikola aims to revolutionize the future of the transportation sector.

That announcement triggered a plummet in share value, with stock diving 36 percent in three days.

Nikola immediately rejected the charges before issuing a more weighty statement of denial on Monday. The group said it had been in touch with the Securities and Exchange Commission about the report, which it said was aimed at manipulating its share value, which climbed back 11 percent on Wall Street Monday.

Staged video

Nikola does not however deny one of the more astounding charges leveled against it by the investment company, which was about the staging of a 2017 video showing one of its prototypes in action. According to Hindenburg, "Nikola had the truck towed to the top of a hill on a remote stretch of road and simply filmed it rolling down the hill."

Nikola responded that it had "never stated its truck was driving under its own propulsion in the video" but had simply said that it had been "in motion."

Hindenburg shot back Monday that the company's explanation was "completely inadequate." The start-up's financial director Kim Brady called the report "offensive" to the company's partners.

Before teaming up with Nikola, he said, Bosch had had its engineers study the project for several months, while GM had taken advice from the major banks and consultancies before buying its 11-percent stake in the company. —AFP

German investor sentiment rises despite headwinds

BERLIN: Investor sentiment in Germany rose unexpectedly in September, the ZEW economic research institute said yesterday, signaling confidence in a recovery from the coronavirus crisis despite headwinds from stalled Brexit talks and rising new infections.

The survey of investors' economic sentiment rose to 77.4 from 71.5 points the previous month, confounding a Reuters poll forecast for a fall to 69.8. "The ZEW Indicator has increased again, signaling that the experts continue to expect a noticeable recovery of the German economy," said ZEW President Achim Wambach.

"Stalled Brexit talks and rising COVID-19 cases could not dampen the positive mood."

A separate gauge of current conditions rose to -66.2 from -81.3 points the previous month. That compared with a consensus forecast of -72.0 points. The German economy has been rebounding since May when lockdowns to slow the spread of the coronavirus were lifted. But activity remains below pre-crisis levels and economists expect a slow recovery.

An economic rescue program approved by Chancellor Angela Merkel's conservatives and their Social Democrat (SPD) coalition partners is supporting the recovery. It includes lower value-added tax rates to encourage private spending and subsidies for companies to keep employees on the payroll and avoid mass layoffs. ZEW's Wambach said there would be problems ahead for some sectors, especially banks. — Reuters