ECB meets under pressure as inflation tops target

FRANKFURT AM MAIN: European Central Bank governors will likely resist calls to end a flood of cheap money when they meet tomorrow, analysts said, despite euro-zone inflation topping their near-2.0 percent target. Inflation in the 19-nation single currency area stood at 2.0 percent in February, Eurostat figures showed last week, the first time since 2013 it has outstripped the ECB's mandate of "close to, but below 2.0 percent".

Even before then, critics were urging the Frankfurt institution to wind down its massive monetary easing measures that include buying tens of billions of euros of government and corporate bonds each month, cheap loans to banks, and historically low interest rates. But ECB policymakers have argued that the sudden jump in euro-zone price growth since December is a temporary effect of increased energy prices. "We should not react to individual data points and short-lived increases in inflation," ECB president Mario Draghi told European Parliament lawmakers in February. "Support from our monetary policy measures is still needed."

Analysts largely agree with ECB executive board members that beyond volatile items such as food and energy, underlying pressure on prices from more durable sources, like increased wages for workers, remains too weak to justify tweaking the stimulus package. "Core inflation has remained low despite the rise in the headline rate," Jennifer McKeown of Capital Economics said. "Even in Germany, where the labor market has been strong for some time, there are few signs of pay pressures." According to Eurostat, unemployment across the euro-zone stood at 9.6 percent in February-steady at the lowest rate since May 2009, but still leaving slack in the market to hold back wage increases, usually a key driver of inflation.

Alert for hints

The ECB has been loath to exit its monetary stimulus program too quickly, afraid of nipping a still-fragile economic recovery in the bud. Tomorrow, policymakers "will not want to add any new uncertainty on the eve of two important elections in the euro-zone"-the-Netherlands later this month and France between April and June-ING-Diba bank economist Carsten Brzeski predicted. But governing council members have begun debating in public speeches what the beginning of the end of stimulus could look like.

The bank's "forward guidance", carefully crafted statements about future policy, has long suggested interest rates will "remain at present or lower levels for an extended period of time"-and certainly until after the bond-buying program is wound down.

Higher interest rates are needed to manage a faster-growing economy with higher inflation. So a change to that language suggesting higher rates could be on the way would be an early indicator that the ECB sees the economic recovery on a firmer footing and is looking to cut back its stimulus programs, Brzeski said. Board member Yves Mersch called for just such a change in early February-but has yet to be echoed by advocates of a more supportive policy like Draghi. Rather than moving this week, policymakers "would wait until after the French elections until they give any direct or big hint at tapering," or gradually winding down bond-buying, Brzeski suggested.

Look, don't leap

With little new economic data to go on since the governing council's last meeting in January, few observers expect the ECB to make drastic changes this week. A new round of forecasts from the central bank's staff "will reveal an upward revision this year from December's projection of 1.3 percent" inflation, Capital Economics' McKeown forecast, but little change to the predictions for 2018 and beyond. That will leave Draghi comfortable defending his plan to continue buying 60 billion euros of bonds per month until at least December this year.

No respondents in a survey of economists by Bloomberg News expected the ECB to make changes to its bond-buying or interest rate policy this week. "For the most part, Draghi will, once again, try to keep the hawks (advocates of tighter monetary policy) in check" as the governing council meets away from the cameras, Brzeski predicted. —AFP

FRANKFURT AM MAIN: Photo shows the European Central Bank (ECB) prior to the press conference following the meeting of the Governing Council in Frankfurt am Main. —AFP

Group picture of the winners with Service Hero president.

Infiniti Al-Babtain company ranks first in Service Hero

KUWAIT: Abdulmohsen Abdulaziz Al-Babtain Company, the authorized dealer of Infiniti vehicles in the state of Kuwait achieved unrivaled success by acquiring service hero first place in car aftersales sector for the fourth consecutive year. According to Service Hero 2016 evaluation index, Infiniti Al-Babtain ranked first in the aftersales service and for cars maintenance. This annual survey performed by 'Service Hero' is based on customers' votes for the quality of the service by service providers, and then best companies are chosen in each sector in Kuwait.

For the fourth consecutive year Infiniti Al-Babtain was ranked first in the after-sales service; which is a result of the Company's ongoing commitment to clients' needs. "We are proud of our great achievements that reflects our continuous dedication to respect the international quality standards and customer care; receiving this award definitely gives us great responsibility and makes us put more efforts, as achieving the top position may be easy but preserving this position forces us to always provide the best," Said Mohammed Shalabi, COO, Al-Babtain Group commenting on this occasion.

Reducing food waste 'is good for business'

ROME: For every dollar spent on reducing food waste, companies save an average $14, according to a study published yesterday that also showed consumers can save money by shrinking their bin bags. The study analyzed 700 restaurants, food manufacturers, retailers and hospitality companies in 17 countries and found 99 percent of them made money from investing in curbing waste. "There are still too many inside business and government who are unaware or unsure about the kind of impact they can have by reducing food loss and waste," Dave Lewis, chief executive of Britain's biggest retailer, Tesco, said in a call with journalists.

Throwing out food wastes the water, energy and fuel needed to grow, store and transport it, campaigners say, while discarded food ends up in landfills where it rots, releasing harmful greenhouse gases. Companies analyzed in the study reduced food waste through measures like improving refrigeration and switching to more efficient packaging to extend products' shelf-life. In return they gained additional income from selling products made with food saved from the bin, benefited from lower waste management costs and saved money not buying food that would have otherwise been lost.

The study showed how a British-based food manufacturer achieved a more than 300-fold return on investment by running an audit that revealed seven percent of the food it bought remained in bulk containers after they were emptied. "The clear business case should swing people to act," Lewis, who also chairs Champions 12.3, the campaign group that commissioned the first-of-its kind study, added in a statement. With the average US family of four spending roughly $1,500 a year on food that is thrown away, cutting waste is also a boon for consumers' pockets, the study said. —Reuters

The biggest challenge facing women? Work

LONDON: The world would be a better place for women if they had access to more and better quality jobs, according to a street survey of women and men in 10 countries in Europe, the Americas, Africa and Asia. Ahead of International Women's Day on March 8, the Thomson Reuters Foundation asked about 100 people in Britain, the United States, Ethiopia, Kenya, Senegal, India, Thailand, Brazil and Colombia what they saw as the biggest challenge for women.

The answers varied from concerns over violence against women to an unfair share of housework but the overwhelming concern was employment - that women had equal access to jobs, equal pay, and the flexibility to juggle work with raising children. "For any woman having a better life means having a good job. This will make life better - work, a job and a salary to take care of herself and her dependents," said Yolradee Saiemi, 44, a jewelry seller at a Bangkok market. Abdoulaye Diop Ndao, 26, a security guard in Dakar, Senegal, said life was difficult for women in Senegal. "They wake up early to find work, to buy fish and vegetables to sweep and sort out the house. If we give women good jobs, create businesses for them, we can help our families," he said. "The biggest problem here is employment. They don't have an adequate job. Or they are hustlers," said Richard Kiarie Lutta, a bus driver in Nairobi, Kenya, aged in his 30s. "The world would be better for women if they have a good job."

Fewer women than men work globally, with about half of working age women in jobs in 2015 compared to 76 percent of men, according to figures from the International Labor Organization. Women are paid less in most countries, earning on average only 60-75 per cent of men's wages, according to the World Bank. —Reuters

Australia's Central Bank sits on rates and sounds neutral

RBA holds rates at 1.5% as widely expected

SYDNEY: Australia's central bank held rates steady yesterday, a widely expected decision given policymakers recently signaled a steady outlook for much of the year ahead. The central bank kept rates at a record low of 1.5 percent for an eighth straight month, following easings in August and May last year.

All 67 economists in a Reuters poll expected a steady outcome this week. The Australian dollar inched higher after the rate decision, supported by the outlook for steady policy. It was last up 0.5 percent at $0.7619 after dropping to a more than one-month low of $0.7598 this week.

"Today's RBA statement reveals a central bank pleased with both the improving global backdrop and the transition of the Australian economy to better growth and stronger employment," said Scott Haslem, economist at UBS. Haslem expects the RBA to stay pat until the middle of 2018 as it balances disinflationary forces such as record low wage growth and heightened retail competition with sky-rocketing house prices. Governor Philip Lowe has repeatedly emphasized limits to monetary policy and last month said further cuts in interest rates would not be in the national interest as the danger of a debt-fuelled boom and bust was just too severe.

With the governor signaling a high bar for a move lower, interbank futures imply a mere 6 percent chance of another cut by August. Yesterday, Lowe maintained his upbeat tone as Australia's A$1.7 trillion ($1.3 trillion) economy expanded 2.4 percent in 2016 helped by a jump in commodity prices and stronger consumer spending. "Exports have risen strongly and non-mining business investment has risen over the past year," Lowe said. "Most measures of business and consumer confidence are at, or above, average." He also reiterated the central bank's forecasts for a gradual pick-up in underlying inflation, which is pinned at a record low of 1.5 percent.

Business confidence

A survey of business expectations by Dun & Bradstreet yesterday found business confidence was at an 18-month high while plans for capital investments for the second quarter of 2017 were at a two-year peak. "The critical issue will be whether this optimism translates to a lift in actual activity," said Stephen Koukoulas, Dun & Bradstreet economic adviser. So far, there has been little evidence of that with both businesses and households crimping on overall spending.

Data out recently showed retail sales grew at a tepid pace for a third straight month while the outlook for capital expenditure remained uninspiring. Lowe also retained his concerns about record low wage growth and a tardy labor market with jobs heavily skewed toward part-time work. He is also worried about the high levels of household debt, with the ratio of household debt to disposable income at an all-time peak around 180 percent. "The bank is concerned that a further cut in interest rates could induce some households to borrow beyond their means. The bank is thus prioritizing its concerns about household balance sheets at this point," said NAB's chief economist Ivan Colhoun.—Reuters

SYDNEY: Photo shows tourists taking pictures during sunset over Sydney's iconic landmark Opera House. —AFP

China's FX reserves rebound above $3 trillion in February

BEIJING: China's foreign exchange reserves unexpectedly rose for the first time in eight months in February, rebounding above $3 trillion as a regulatory crackdown and a steadying yuan helped staunch capital outflows. The rebound in reserves could ease fears in global markets that China will engineer another sharp one-off devaluation of the yuan, which would run the risk of inflaming trade tensions with the new US administration under President Donald Trump.

Reserves rose $6.92 billion during February to total $3.005 trillion, their first increase since June 2016, central bank data showed. That compared with a drop of $12.3 billion in January, when reserves fell to $2.998 trillion. Economists polled by Reuters had expected forex reserves to drop by $25 billion in February. Capital Economics said last month's rise suggests China's central bank "purchased foreign exchange in February and that capital outflows stalled".

But the consultancy added that the picture "is murkier than usual around Chinese New Year, when port and bank closures disrupt both trade and financial flows". China's markets closed for a week for the Lunar New Year holiday, which began at the end of January. The State Administration of Foreign Exchange, the foreign exchange regulator, said in a statement that China's foreign exchange reserves are likely to stabilise gradually as pressures on capital outflows ease.

The dollar gained against non-dollar currencies on the international market in February, but prices of assets in which China had invested its foreign exchange reserves increased, the SAFE said. "Obviously, the sentiment has improved in the Chinese renminbi (yuan) more recently," said Andy Ji, Asian currency strategist at Commonwealth Bank of Australia in Singapore. "But the increase didn't necessarily reflect capital inflows." Firms, after snapping up dollars in past months, are selling them back to the central bank given more stringent capital restrictions and higher yuan interest rates, Ji said.

Tightened rules

China has tightened rules on moving capital outside the country in recent months as it seeks to support the yuan currency and stem a slide in reserves. It burned through nearly $320 billion of reserves last year but the yuan still fell 6.5 percent against the dollar, its biggest annual drop since 1994. The yuan has steadied in recent weeks as the dollar's rally lost steam. The Chinese currency gained 0.2 percent in February, and is up 0.8 percent in 2017. However, expectations of US interest rate hikes beginning as early as next week have rekindled fears that the yuan could come under renewed pressure. Trump had said during the election campaign that he would declare China a currency manipulator on his first day in office, but his advisers now say they will wait for a final verdict from a US Treasury currency report due in mid-April.

Some analysts noted a subtle change in the language used to describe the yuan in Premier Li Keqiang's annual work report on Sunday had sparked some speculation that policymakers were now less willing to defend the Chinese currency. China will allow bigger fluctuations in the yuan this year, a policy adviser told Reuters on Monday, speaking on condition of anonymity. "I cannot say the (yuan) depreciation will be bigger than last year, but I can say its fluctuations will be bigger this year than last year," the adviser said. People's Bank of China Deputy Governor Yi Gang, meanwhile, told reporters that Beijing will stick to its managed floating exchange rate framework to keep the yuan currency basically stable.

Tightening its grip

China's banks on Jan. 1 began requiring individuals using their $50,000 annual foreign currency quota to specify how and when they will use funds, with additional documentation sometimes required. Authorities are also closely examining outbound investments. The sports ministry, for example, has reminded Chinese investors to follow rules on moving capital overseas, after a huge splurge by Chinese buyers on foreign soccer clubs.

In addition to stepping up controls on money leaving the country, authorities have boosted efforts to bolster inflows. The foreign exchange regulator said at the end of last month that it would allow foreign investors in the interbank bond market to trade forwards, forex swaps and options. But restrictions on taking money out of the country may discourage foreign investors, despite recent assurances by the central bank that foreign companies were able to repatriate profits normally. "While further tightening of capital controls since December is meant to forestall capital outflows, it may also wreak havoc on foreign direct investment and investor inflows," analysts at Bank of Tokyo-Mitsubishi wrote earlier this week. —Reuters