VW, banks agree terms of 20 bln euro bridge loan

Volkswagen has reached an agreement with banks on the terms of a planned 20 billion-euro ($21.2 billion) bridge loan to help it shoulder the costs of its emissions scandal, three people familiar with the matter said.

Europe's largest automaker is under pressure to shore up its finances as it faces multi-billion-euro costs of regulatory fines, lawsuits and refits of about 11 million diesel vehicles.

Thirteen banks are offering credit portions of either 1.5 billion euros or 2.5 billion euros each, or a total of 29 billion euros, two of the people told Reuters, declining to be named because the matter is confidential.

One of the people said credit portions would be assigned to banks on Friday. Another person said that would happen in the coming days, without being more specific.

A spokesman for Wolfsburg, Germany-based VW declined comment. Volkswagen has set aside 6.7 billion euros for the initial costs of the diesel emissions scandal and has said it expects additional expenses of at least 2 billion euros for falsifying certification of carbon dioxide (CO_2) emissions.

Analysts have said securing funding from banks in the wake of the scandals, which have wiped billions off the group's market value, would help signal investors that the VW remains a robust borrower. (RTRS)

S&P again cuts scandal-hit Volkswagen's credit rating

Standard and Poor's cut its credit rating for German automaker Volkswagen for a second time in two months Tuesday, saying its emissions scandal had "tarnished VW's reputation and brand perception".

The international credit rating agency lowered to 'BBB+' from 'A-' its long-term debt rating and said the outlook remained negative amid the biggest scandal in the company's history.

"The downgrade reflects our view that VW's manipulation of engine emissions exposes the group to material, wide-ranging adverse credit impacts," said the agency, which had already downgraded Volkswagen in mid-October.

"In our view, these events have tarnished VW's reputation and brand perception, and will negatively affect the group's market position and competitive advantage."

Volkswagen has been engulfed in scandal since September, when it admitted more than 11 million diesel vehicles worldwide had "defeat" software designed to cheat on emissions tests.

The devices turn on emissions controls when a vehicle undergoes emissions test, then turn them off under normal operations, allowing illegal amounts of nitrogen oxide to spew into the air. (AFP)

Weak eurozone inflation sets stage for stimulus

Cheap oil has ECB over a barrel

BRUSSELS, Dec 2, (AFP): Eurozone inflation came in lower than expected in November, official data showed on Wednesday, giving further encouragement to the European Central Bank to pump up its stimulus to boost the economy.

ECB president Mario Draghi is widely expected to ramp up the central bank's contested bond-buying programme on Thursday given low inflation levels across the 19 countries that share the euro.

The EU's Eurostat statistics agency said inflation was unchanged in November at a weak 0.1 percent, lower than analysts' forecast of 0.2 percent inflation for the period.

This is well below the ECB's official target of near or just below 2.0 percent.

"November's weaker-than-expected euro-zone consumer prices figures give a final green light for the ECB to both increase the pace of its asset purchases and cut its deposit rate at tomorrow's policy meeting," said Jonathan Loynes, Chief European Economist at capital Economics.

In March, the ECB launched a more than one-trillion-euro stimulus plan running through to September next year in order to snap a long period of low or negative inflation in the eurozone.

But the effects of that policy has now shown its limits, pushing the ECB toward further easing of monetary policy, many analysts believe.

The euro immediately fell to a low for the day after the diappointing data, dropping 0.42 percent against the dollar to $1.0588 in London trade.

Inflation in November was dragged down by energy prices, led by oil, but this fall slowed to 7.3 percent annually instead of 8.5 percent the previous month, the data showed.

Draghi on November 20 said the bank will "do what we must" to lift inflation as quickly as possible.

Central bankers of the 19-member eurozone are keen to fight falling prices because they can be poisonous for the economy, creating a vicious circle of falling demand and fewer jobs.

While falling prices might appear to be good for consumers, deflation can become entrenched if consumers delay purchases in the hope of lower prices later, which in turn prompts companies to hold off investment.

Most worryingly for the ECB will be the fall in core inflation, which excludes oil and food. This went to 0.9 percent from 1.1 percent a month earlier.

"The ECB will be particularly disappointed to see the relapse in core inflation in November. Consequently, there can be little doubt that the ECB will press ahead with further stimulus at its December meeting on Thursday," said Howard Archer of HS Global Insight.

Falling oil prices can be both a boon and bane for the global economy, but for the European Central Bank they are now a major headache because they are keeping eurozone inflation much lower than it would like.

On paper, low oil prices should be positive for the economy because they boost purchasing power.

But in the current environment, they could also be seen as a sign of slowing demand, observers argue, posing a challenge for the ECB's monetary policy and putting its credibility to the test.

"The weakening of oil prices is currently the most important factor in the ECB's analysis," ING DiBa economist Carsten Brzeski told AFP.

Low oil prices were pushing inflation lower and fuelling concerns within the ECB's governing council about the threat of deflation, or a downward spiral of falling prices, the expert argued.

So far, the drop in oil prices — 60 percent since mid-2014 — has been seen by many central bankers and economists as a result of over-abundant supply, helping to slash energy bills for households and businesses alike.

But the ECB's own chief economist Peter Praet said in a recent interview with Bloomberg News that a "significant" part of the decline was attributable to the slowing global economy.

"A lot of the latest wave of commodity price declines is demand related. At some point in the recent past you had a supply side issue, which is a windfall for consumers, but now a significant part is also coming from weak global conditions," he said.

ECB president Mario Draghi put forward similar arguments at the end of October.

And a global economic slowdown could undermine the still very tentative recovery in the 19 countries that share the euro.

For the ECB's part, "it's tactically smart to focus the debate on demand shocks", said Gilles Moec at Bank of America.

"But the real problem for the central bank is whether it remains credible or not," he said.

"Markets' inflation expectations have fallen sharply," he noted, pointing out that only time could tell whether they would prove correct.

But the ECB is concerned that the pessimism of market players reflects a lack of confidence in its ability to counter future oil price shocks, Moec said.

Praet hinted as much himself.

"We have seen, on occasions, longer-term inflation expectations responding to short-term movements in oil prices. That is unacceptable for a central bank, insofar as it implies that people's expectations of its reaction function have become less certain," he said.

Scrap 'nonsensical' barriers to modernise UK data: review

LONDON, Dec 2, (RTRS): Britain needs to overhaul the way it measures its economy by removing barriers to a wealth of data that its statisticians cannot access, according to a review published on Wednesday.

"It's nonsensical that different bits of the government don't speak to each other," former Bank of England Deputy Governor Charlie Bean, who is leading the review, said.

"Unlocking the data hoard already held by the public sector will not only save businesses money but also produce more timely and accurate statistics," he said in a statement.

The Office for National Statistics, which produces key readings of the economy such as Britain's growth, inflation and unemployment numbers, has faced criticism over some of its work, including from BoE Governor Mark Carney.

The ONS relies heavily on data collected by its own surveys of households and businesses.

Instead, it should gain access to huge volumes of publicly held data — such as that gathered on tax payments, payrolls and bank lending — in order to produce better and more timely statistics on the economy, the review said.

In Finland, 96 percent of data used in statistics comes from such administrative sources, and other Nordic countries also rely almost exclusively on them for their national accounts.

The review said British civil servants were often reluctant to share information because of fears of data leaks, and the ONS often had to follow a cumbersome procedure if it wanted to get hold of such figures.

The review also called for a "culture shift" at the ONS where staff needed to understand data better and "sense-check" it. Data scientists and coders should be hired to help the ONS make the most of existing and new data sources and technology.

"It needs to become an organisation which is more intellectually curious, open and self-critical, as well as better at engaging with its customers," Bean said.

A new Manhattan?

Taste for luxury – Ethiopia's new elite spur housing boom

ADDIS ABABA, Dec 2, (AFP): White fences and manicured lawns surround the villas of an elegant housing estate in Ethiopia, a potent symbol of the emerging elite in a country better known for drought and famine.

Just 10 years ago, the affluent suburb of Yerrer View was little more than fields. Today, imposing villas with pillars stand behind neatly-trimmed oleander hedges.

A comfortable commuting distance of 20 kilometres (12 miles) from the capital Addis Ababa, the 600-hectare (1,500-acre) estate has tapped into a growing taste for high-end luxury among wealthy Ethiopians, who are looking for a home which reflects their success in business.

Over the past decade, this Horn of Africa nation has seen an annual growth rate of nearly 10 percent, World Bank figures show, due to a boom in construction, manufacturing, trade and agriculture.

For those in Africa's second most populous country who are enjoying that growth, the estate symbolises much more than a home.

"We are selling a lifestyle more than just housing," says Haile Mesele, a civil engineer who heads Country Club Developers, the property firm behind the development.

"We don't do any advertising. We prefer that the residents themselves spread the news, and in a way, chose their own neighbours," he said.

According to a recent study by New World Wealth (NWW), a South Africa-based market research consultancy, there are now 2,700 millionaires in Ethiopia, reflecting an increase of 108 percent between 2007 and 2013 — the fastest growth rate in Africa.

"There is a demand for luxury real estate," said Wunmi Osholake, who runs the Ethiopian branch of online real estate platform Lamudi, which focuses on emerging markets, with customers eyeing property costing over $330,000.

The price, she adds, has no upper limit.

A new Manhattan?

And the luxury boom is not just in the suburbs.

In the centre of Addis Ababa, the bustling Kazanchis business district is also undergoing major renovations.

Eighteen months ago, May Real Estate Development began a new residential development called the Addis Gojo project, which incorporates 113 apartments in three 10-storey towers located near several embassies.

"For those working for the UN or diplomats, it is very central. The district is a new sort of Manhattan," says project manager Bitania Ephfrem.

"The lifts work, which is not the case elsewhere," says Bitania, adding they are planning rooftop swimming pools, a gym and a restaurant "so that residents don't need to leave the premises."

A standard apartment between 140-170 square metres (1,500-1,800 square feet) rents for about $1800 per month (1700 euros).

Villas for locals

Such luxury housing has been designed to meet the needs of Ethiopia's emerging new middle class. At the estate in Yerrer View, hundreds of the homes from stand-alone villas to modern apartments are already occupied with plans for a total of 5,400 houses for some 20,000 people.

When completed, the estate will also include a golf course, a five-star spa hotel, a shopping centre, school and clinic and an organic farm covering about 200 hectares.

"When we began, economic growth wasn't very strong," recalls Haile. "Half of our clients came from the diaspora. But since then, the economy has become a lot stronger and nearly 85 percent of our residents are local."

The customers have high expectations. Pushing open the door, Mesele shows off a 500 square metre (5,380 square foot) property built on a plot measuring 1,000 square metres.

A large open plan kitchen and a curved imitation-marble staircase leads up to the first floor where there are three bedrooms, all en-suite.

The master bedroom has a fireplace and a dressing room, while the bathroom has "an open space in case the owners want to install a sauna," he explains.

All that remains is to install surveillance cameras able to read a licence plate before opening the gate, smoke detectors and a security system.

And the price tag? $400,000 (377,000 euros) — a fortune in a country where the gross domestic product per capita is $565.

"No matter what we build, it will always be too little to meet demand," he says.

But others have spotted the growing demand, with several other sites popping up nearby.

Labour challenge

Since the overthrow of a Marxist junta in 1991, Ethiopia's political and economic situation has stabilised, although rights groups have criticised the government for suppressing opposition.

The economy is still heavily dependent on agriculture, especially coffee, with the vast majority of the country's workers involved in that sector.

Meeting the demand for new housing has called for bringing in foreign workers as Ethiopia lacks a skilled work force.

Haile said his firm recruited around a thousand specialist workers from China.

Yoseph Mebratu, the major shareholder in May Real Estate Development, also complains that he had to import 70 percent of raw materials.

"Windows, doors, wood panelling... everything comes from China," he told AFP, adding that taxes are "very heavy."

Inflation, which hit a record 64.2 percent in July 2008 but has since stabilised at around 13 percent, has also caused delays.

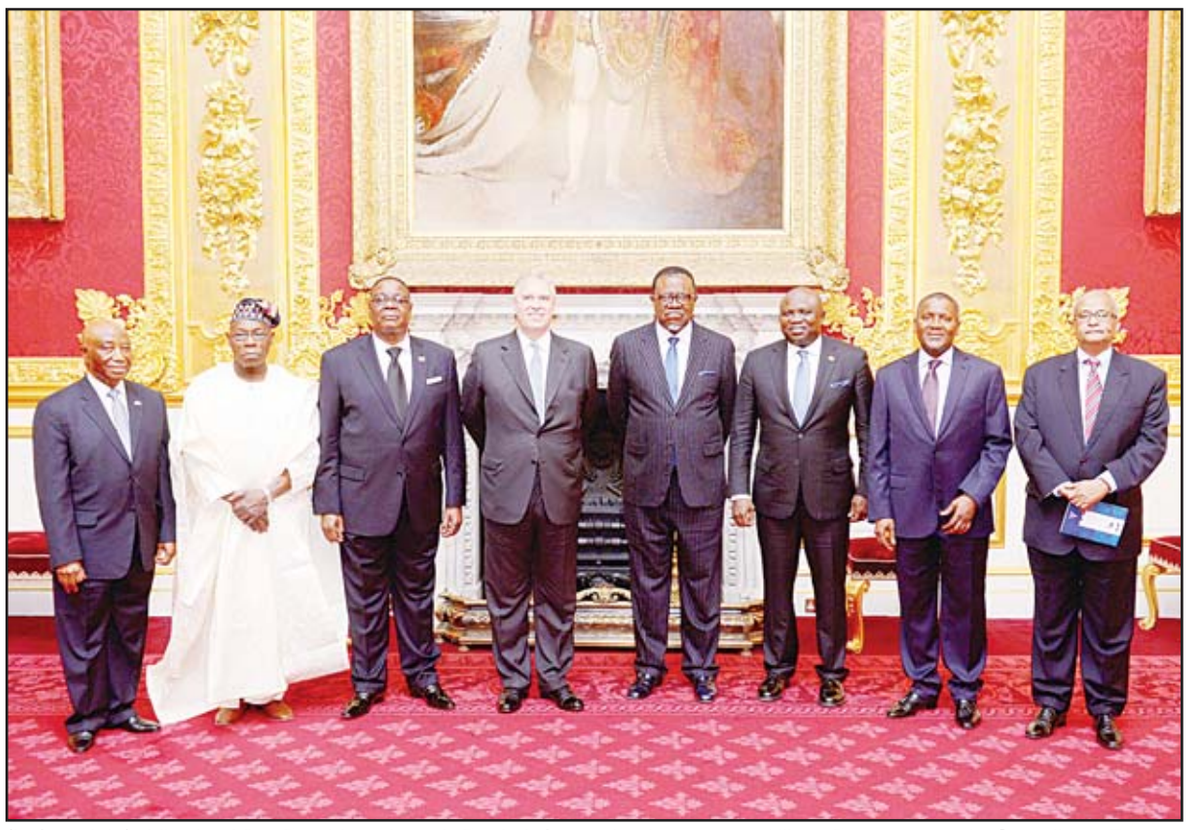
"We had to slow down our business and missed deadlines ... but since last year, we have become profitable again," Mesele added.

Africa seeks further massive investment despite Chinese slowdown

China's Xi in S. Africa ahead of regional summit

JOHANNESBURG, Dec 2, (AFP): Chinese President Xi Jinping arrived in South Africa on Wednesday ahead of a two-day summit with regional leaders as Africa seeks further massive investment despite the Asian giant's economic slowdown.

A slew of deals are expected to be announced for power plants, infrastructure and agriculture projects, but analysts say Chinese largess across the continent has already been reined in this year.



(Left to right): Liberian Vice-President Joseph Boakai, former president of Nigeria Olusegun Obasanjo, Malawi's President Peter Mutharika, Britain's Prince Andrew, Duke of York, Namibian President Hage Geingob, Nigerian Governor of Lagos State Akinwunmi Ambode, Nigerian businessman Aliko Dangote and Somalian Foreign Minister Abdisalam Omer attend the London Global African Investment Summit at St James Palace in London on Dec 1. (AFP)

China drove the commodity boom as it bought up oil, iron ore, uranium and copper around the world over the past decade, but its growth has dipped this year, triggering a sharp slump in prices.

Xi said in a statement that the summit, which starts on Friday, would be "a milestone in advancing China-Africa relations across the board".

"I look forward to... injecting fresh impetus into the future of China-Africa friendship and cooperation under the new conditions."

But Africa is already feeling the pinch, with Chinese investment falling by more than 40 percent in the first half of 2015, according to official data.

"The rhetoric will probably be very excitable, as usual. You have got to separate the rhetoric from reality," Ian Taylor, professor of international relations at the University of St Andrews, told AFP.

"We are likely to see a more sober meeting point between China and Africa."

Xi will hold talks with South African President Jacob Zuma in Pretoria on Wednesday before the sixth Forum on China-Africa Cooperation (FOCAC) opens in Johannesburg's financial district of Sandton.

"China's packages towards Africa are going to be more diversified," said Yun Sun, China expert at the US-based Brookings research organisation.

"The Chinese always emphasise that its economic engagement in Africa is not altruistic.

"In some cases, Beijing is willing to put up with a loss, but I think Xi is going to be very careful. Their foreign reserves aren't unlimited."

China became Africa's largest trading partner in 2009, with volumes expected to exceed $300 billion this year.

Ahead of FOCAC, China emphasised it had delivered more than $117 million of aid to affected areas during the Ebola crisis in West Africa, and also sent hundreds of medical workers to help.

Among many African countries hit by the Chinese slowdown, Zambia exemplifies the impact of falling commodity prices.

Its economy relies on exports of copper, which has fallen in price by 30 percent this year.

"We have to find other export products to China," said Commerce Minister Margaret Mwanakatwe, who will attend the summit.

"The price of copper going down has led to job losses in the mines and the kwacha (local currency) to depreciate (by 45 percent)."

Zambian President Edgar Lungu last week ordered no new road projects to be started to save on spending.

Nigeria, the continent's largest economy, has been another major player in China's recent involvement in Africa.

At least 40 official development projects have been financed there by Beijing since 2004, including a $2.5 billion loan for rail, power, and telecommunications projects.

The Chinese have also provided military aid and equipment, and are building a new terminal at Abuja airport.

"They're not going to let up on their very well-flagged goal of being on the front foot across the continent," said Ryan Wibberley, an emerging market equity dealer at Investec in Cape Town.

Xi — accompanied by his wife Peng Liyuan — landed in South Africa after a brief visit to Zimbabwe, where Chinese projects have helped prop up an economy plunged into crisis under President Robert Mugabe's rule.

Crude oil drop inciting companies to slash investments and jobs

Goodbye, good times for Norway's oil capital

STAVANGER, Norway, Dec 2, (AFP): Sparkling wine instead of champagne, companies cancelling their Christmas celebrations, unemployment soaring and real estate prices flagging: with crude prices plunging from record highs, Norway's oil capital Stavanger is hungover after the party.

"There you go, another rejection." Roger Schurmeyer holds up the umpteenth job rejection letter he has received on his smartphone.

At 36, this former audiovisual solutions manager for Statoil has been out of work for almost a year, a victim of the state-owned company's savings programme.

"I've been working since I was 16 and I've never been unemployed until now. It feels quite strange," he says, sitting in his apartment on the leafy outskirts of Stavanger.

"I've heard there are about 300 or 400 people applying for the same job. So it's a tough market," he sighs.

The oil-rich southwestern region of Norway posts an unemployment rate of 4.1 percent, which looks enviable enough.

But it represents an 81 percent increase from a year ago, and, in a brutal change of fate, is now the highest in the country. Even headhunting firms are letting people go.

All because the price of a barrel of oil has plummeted from more than $100 in early 2014 to around $45 dollars today, inciting oil companies to slash investments and jobs.

Stavanger, once a cozy fishermen's village, has become an opulent town of 130,000 residents after the 1969 discovery of Ekofisk, a giant offshore field still in operation that ushered Norway into an era of unprecedented prosperity.

A sign that the region has fallen on harder times, three oil services vessels now languish in the docks on the edge of town. And Scandinavian airline SAS has just halted its direct flights to Houston, Texas — the United States' oil hub. "I check the oil price almost every day," admits Christine Sagen Vestbo, the Conservative mayor of Stavanger since 2011.

Roger Schurmeyer 36, pictured in his flat in Sandnes outside the southwestern city of Stavanger on Nov 12. Schurmeyer lost his job when the oil giant Statoil started outsourcing at the start of 2014. (AFP)

When she began her first term, the town's biggest problem was attracting enough engineers to fill all the job openings. It was the place in Norway where Porsche had its highest market share.

Now, the challenge is to hang on to and create jobs, as Norway tries to build a new future less dependent on black gold.

"I think it's going to get worse in 2016," says Vestbo.

"We have to develop more jobs in technology in general, in healthcare, in renewable (energy). We have the technology from the oil and gas industry, we can use that in offshore wind, in solar, and also of course in onshore wind," she says.

At the Cafe de France, a high-end restaurant where a three-course menu served on Versace plates costs 70 euros ($75), the decline of the offshore sector's glory days is palpable: reservations for companies' annual Christmas dinners are down, and fewer businessmen are passing through town.

"There will always be business happening but companies have very strict guidelines now for when they can take customers out, and we see more people flying in and out instead of staying the night and dining," the restaurant's owner Emil Heimdal explains.