Google's Pixel phone shines despite misgauging demand

The Pixel phone, Google's answer to Apple's iPhone and Samsung's Galaxy, is off to a promising start — but might have done even better had Google managed consumer demand as smartly as the device's sleek design.

Although Google hasn't released sales figures, industry researchers say the Pixel has been a hot item since its October debut was greeted with mostly glowing reviews and the biggest marketing blitz in Google's 18-year history.

But there were missed opportunities. Google didn't have enough Pixels available to meet demand. Rather than wait several weeks, many consumers interested in the Pixel probably bought an iPhone, Galaxy or another phone instead. And these people aren't likely to need a phone replacement for another year or two. Google also struck a deal to sell it through just one wireless carrier, Verizon. Although Google's online store sold Pixels compatible with other wireless networks, most people don't shop for phones that way. Of course, it's a moot point if there weren't enough Pixels to sell, but Google likely would have produced more if it had distribution deals with other carriers.

It's not surprising that Google misjudged the market, given that this is the search company's first stab at making its own phone. Previously, it partnered with various manufacturers on a Nexus line of phones to showcase its Android operating system, but that effort barely made a dent. "This was probably a really good learning experience for them," says Neil Doshi, an analyst with Mizhuo Securities USA. The Pixel's success is important to Google because it wants to ensure there's a stylish Android phone to compete with the iPhone and drive more affluent consumers to its search engine, maps, YouTube videos and other services. Samsung's Galaxy and other phones also run on Android, but those devices have been de-emphasizing Google's services.

Google, which is based in Mountain View, California, can afford to make some mistakes as it tries to establish the Pixel because its internet search and advertising network brings in so much revenue. (AP)

In this file photo, the new Google Pixel phone is displayed following a product event, in San Francisco. Google's head-on rival to the iPhone, the Pixel, is off to a modest but promising start. (AP)

Central bank return to the market indicates strong state willingness to keep a weak exchange rate

Ruble's revival gives Russia an unexpected headache

MOSCOW, Jan 29, (AFP): It was a step that seemed unimaginable a year ago: the Russian authorities stepping in to stop the country's currency from getting too strong.

Back in January 2016 the ruble hit a record low of 85 to the dollar as a combination of plunging oil prices and Western sanctions over Moscow's actions in Ukraine pounded the Russian economy.

Since then the ruble has gained some 40 percent as oil has rebounded and the first shoots of economic recovery have begun to appear.

Hopes in Moscow for better ties with the West after the election of US President Donald Trump have only added to the gains.

While at first glance the reinvigorated ruble might appear positive for the authorities, for the number crunchers at the finance ministry it's not all good news, because of fears it could hurt Russia's newfound competitiveness.

This file photo shows a woman walking past a currency exchange board showing rates in Moscow. While at first glance the reinvigorated ruble might appear positive for the authorities, for the number crunchers at the finance ministry it's not all good news, because of fears it could hurt Russia's newfound competitiveness. (AFP)

Rather than scrambling to prop up the ruble, they announced Wednesday a plan to buy foreign currencies with the excess income from oil revenues -- the price has shot up some $15 over the $40-per-barrel forecast used to build the federal budget.

Officially, the explanation for the move is to build up a buffer to help decouple the energy-reliant economy from the volatile oil market, since the ruble often rises and falls in tandem with the price of black gold.

But while the central bank insists it is not seeking to curb the free float of the ruble, economists say the message from the move is clear.

"The central bank's return to the market would be an important psychological factor and indicate a strong state willingness to keep a weak ruble exchange rate," Alfa Bank analysts said in a note.

And even though the plan is meant to come into effect only from February, the impact of the announcement is already being felt.

After strengthening so far this year, the ruble fell back to about 60 to the dollar on Thursday, moving for once in the opposite direction of the price of oil.

Russian officials have faced a difficult balancing act as they battled the longest recession during President Vladimir Putin's time in power.

When the ruble plummeted at the start of the crisis in 2014, the authorities quickly gave up costly interventions to prop up the currency.

This meant widespread pain for average Russians as the ruble's plunge spurred inflation and sent borrowing rates soaring.

But experts said the currency's slide helped absorb some of the shock, by propping up budget revenues from oil and helping to spur competitiveness of Russian goods.

That has been a traditional weak point for Russia, and the lower ruble dovetailed with government calls for companies to step up production inside the country, instead of relying on imports.

In a sign that Wednesday's announcement was aimed at enticing foreign investors, the move was first signalled by deputy prime minister Igor Shuvalov in an interview at the Davos forum in Switzerland this month.

Oleg Kuzmin from Renaissance Capital, who estimates that the operations will amount to about $80 million a day, called the decision from the authorities "rational".

"This could smooth the impact of the oil price on the Russian economy, secure the competitive advantages that Russia received after the last devaluation and make the budget and current account surplus more secure," he wrote in a note.

The finance ministry said Putin himself had decided that the surplus oil revenue would not be used for "additional spending" but would go towards buying foreign currencies to bolster the country's depleted reserve funds.

That means the Kremlin seems intent, at least for now, on shoring up the state coffers rather than loosening austerity ahead of presidential elections next year.

No reason for alarm over Greek debt: ESM

BRUSSELS, Jan 29, (AFP): There's no need for alarm over Greece's debt levels, a spokesman for the EU's rescue fund body told AFP Saturday, the day after a leaked IMF report described the problem as "explosive". "We see no reason for an alarmist assessment of Greece's debt situation," said the spokesman for the Luxembourg-based European Stability Mechanism, or ESM.

"We believe that Greece's debt burden can be manageable, if the agreed reforms are fully implemented," he added.

His words were in contrast to the tone of a confidential International Monetary Fund (IMF) report obtained by AFP on Friday. According to that report Greece's government debt remains highly unsustainable and will be "explosive" in the long run, requiring a more credible debt relief plan from Europe.

Even with full implementation of the economic reforms the country has agreed to, the Greek government will have to replace highly subsidised official financing with market financing at much higher rates, the IMF said.

The pessimistic report, although in keeping with the fund's repeated statements on the topic, makes it less likely the IMF will participate in any new European loan deal for Greece.

Without measures to ease the debt burden it will reach 275 percent of Gross Domestic Product (GDP) by 2060, against 160 per cent now, according to the IMF report which is due to be discussed by member states on February 6.

Months of bickering have delayed progress on Greece's 86-billion-euro ($92.4 billion) bailout program agreed in 2015 and officials are increasingly worried that elections this year in the Netherlands, France and Germany could further poison the efforts.

The ESM spokesman on Saturday refused to comment directly on the IMF report but stressed that Greece been granted "exceptionally favourable loan conditions over the long term" and had recently adopted short-term debt relief measures.

"Greece and the Europeans agreed on an ambitious fiscal path during the programme, which is credible and backed by contingency measures in case of unforeseen events," he said.

India's government looks to ease pain from cash crunch in budget

In this photograph, Indian villagers wait inside the bank to make the transactions in Basendua village in Bulandshahr, in northern Uttar Pradesh state. India's government is expected to ramp up spending in its latest budget, seeking to ease the pain from a ban on high-value banknotes that slammed the brakes on the world's fastest-growing major economy. (AFP)

Govt expected to ramp up spending

NEW DELHI, Jan 29, (AFP): India's government is expected to ramp up spending in its latest budget this week, seeking to ease the pain from a ban on high-value banknotes that slammed the brakes on the world's fastest-growing major economy.

Ahead of a series of elections, Finance Minister Arun Jaitley will unveil a budget on Wednesday that analysts say will aim to offset the impact from the so-called demonetisation programme with stimulus measures.

"The overarching focus of the budget will somehow indicate a gain from pain mentality -- how the pain of demonetisation helped the government get some extra resources that it can now spread around," Rajeev Malik, senior economist at brokerage CLSA, told AFP.

"It's going to be a budget that is meant to soothe the pain."

Before Prime Minister Narendra Modi's shock decision in November to pull all 500 and 1,000 rupee notes from circulation, the International Monetary Fund had forecast India's economy would grow 7.6 percent in 2016, faster than any other major country.

But as authorities struggled to print replacement notes fast enough, causing consumer spending to plunge, the IMF knocked a percentage point off its forecast. The government's prediction is 7.1 percent growth.

Boost

By painting demonetisation as a blitz on corruption and cash-hoarding that will ultimately boost tax revenues, Modi has so far escaped a major backlash. While there were massive queues outside banks in the weeks afterwards, they have now subsided while limits on withdrawals have eased.

But voters in four states -- including the key battlegrounds of Uttar Pradesh and Punjab -- will have a chance to deliver their verdict when they begin going to the polls in multi-phase elections from February 4.

Analysts say the polls are another reason why the government will be tempted to increase spending on health, education and a rural employment scheme.

There are also expectations of a support package for small and medium-sized businesses which have been particularly hard hit as they are heavily cash-dependent.

"We 100 percent expect a social focused budget," said Malik as he considered the calculations for Modi half way through his five-year term.

"The focus in the first two-and-a-half years was on reviving growth... We're at the half way point now and there are some elections ahead so the shift is towards the social sector."

Big business, hit by a drop in manufacturing and construction activity after the cash crunch, also wants help.

Spending

Pankaj Patel, president of the Federation of Indian Chambers of Commerce and Industry, said his members hoped for a cut in corporate tax from 30 percent to 25 percent and increased infrastructure spending.

"We're in an uncertain world and we need the support of the government," Patel told AFP.

Analysts are worried about how the government plans to fund that support.

"The central question before the government is whether a fresh round of fiscal stimulus is required to offset some of the ill effects of currency delegalisation," Devendra Pant, chief economist at India Ratings & Research, said in a recent note.

"The fiscal room for stepping up expenditure has to either come from higher revenue collection or higher fiscal deficit. With growth expected to fall... the government is clearly staring at lower tax collection."

One area that offers some wriggle room is the budget deficit target.

The current deficit is 3.5 percent of GDP and the government had said it would reduce that to three percent for the fiscal year starting in April.

But in the face of lower tax earnings and a probable stimulus budget, analysts now expect a revised target of around 3.3 percent.

In a recent note, Morgan Stanley said "the pace of fiscal consolidation will be slower than expected" as the government "will find it difficult to cut back spending aggressively because the economy is recovering" from demonetisation.

Nevertheless, analysts say investors will be unimpressed by any dialing back of fiscal consolidation plans.

"Foreign investors will be cautious about this shift in political orientation," said Malik. "It doesn't change India's structural story, but it takes away a bit of the shine in terms of growth expectations."

Moody's Investors Service report

China, Dubai & Venezuela most exposed to PSU debt

NEW YORK, Jan 29: Sovereigns in the Asia Pacific region, the Middle East and the Commonwealth of Independent States are the most exposed globally to the debt of their public sector enterprises, according to a report by Moody's Investors Service.

The report "Sovereign Contingent Liabilities; Public Enterprises Represent a Material Source of Fiscal Risk to Some Sovereigns," analyzes the exposure to sovereign contingent liabilities that arise from non-financial public sector companies across 87 developed and emerging market economies globally, over the 2010-2015 period.

"After financial sector crises and natural disasters, support given to state-owned enterprises was the third most common cause of contingent liabilities materializing on a sovereign's balance sheet," said Elena Duggar, an Associate Managing Director at Moody's. "For a number of countries, public enterprises represent a material source of financial risk for sovereigns."

The average size of non-financial public sector debt across the sample globally was 14 percent of GDP at the end of 2015. This compares to an average general government debt for the same countries of 55 percent of GDP.

Contingent liabilities for sovereigns in the Asia Pacific region were led by China, Japan and Korea.

In China, state enterprises liabilities amounted to 114 percent of GDP at end-2015, the highest among all countries globally. Moody's estimates that in China state enterprises liabilities worth 20 percent to 25 percent of GDP could potentially require restructuring over time — a sizeable amount which would affect the sovereign's balance sheet. The large and rising contingent liabilities were a key driver in Moody's decision to place China's Aa3 government bond rating on a negative outlook in March.

The Middle East and Africa region (ME&A) and the Commonwealth of Independent States (CIS) also had relatively high non-financial public enterprises liabilities averaging 17 percent in both regions. In these regions the public sector liabilities were highest in Dubai (74 percent of GDP), Qatar (41 percent), and Kazakhstan (30 percent).

The average levels for Western and Eastern Europe are at 12 percent and 9 percent of GDP respectively.

North America has the lowest public enterprises debt levels, with non-financial public sector debt at 0.1 percent of GDP in the US and 8 percent of GDP in Canada.

Switzerland eyeing pro-Brexit trade deal with UK – minister

GENEVA, Jan 29, (AFP): Switzerland's economy minister said Sunday he wants to have "background" talks with Britain so that a trade deal can be in place as soon as the UK leaves the European Union.

"My objective is clear. Not one day should pass after Britain's exit (from the EU) without new regulations in place," Johann Schneider-Ammann told Blick daily.

"It should be at least as good" as the present deal, he said.

The paper said Britain's international trade minister, Liam Fox, showed strong interest in a deal with Switzerland at this month's World Economic Forum (WEF) in Davos.

British Prime Minister Theresa May has promised to start the two-year process of leaving the EU by the end of March.

The European Commmission has warned London against negotiating any new third-party trade deals as long as it remains an EU member.

But Schneider-Ammann suggested negotiations with Britain could take place "in the background and in parallel with the exit discussions" with the EU.

"I would be personally very happy if we were one of the first countries to conclude a free-trade deal with Britain post-Brexit", he said.

Switzerland is a founder member of the European Free Trade Association (EFTA), created in 1960 as a counterpart to the European Economic Community, as the precursor of the European Union was known.

Britain too was a founding EFTA member but left the group when it joined the EEC in 1973.

The three EFTA members -- Norway, Iceland and Liechtenstein -- are also members of the European Economic Area (EEA) which gives them access to the EU's single market, but Switzerland is not an EEA member.

Asked about relations with the new US administration of President Donald Trump, the minister was cautious.

"We are waiting to see what happens" regarding the Transatlantic Trade and Investment Partnership, negotiations for which have been ongoing since 2013.

He said if a TTIP deal is concluded then Switzerland could join.

However, Trump is widely expected to drop any attempt to seal the accord.