Moody's upgrades Cyprus

The Moody's international rating agency has raised Cyprus' credit grade by one notch to Ba3, citing strong economic growth and the government's solid fiscal performance.

The agency said Friday it is also keeping a positive outlook on the east Mediterranean island nation's economy.

Moody's says it expects growth to be sustained by private consumption and increased revenue from record tourism that accounts for around 13.2 percent of Cyprus' economy.

The agency says Cyprus has also continued to outperform fiscal targets, helping to push down a high debt burden that in 2016 was 108 percent of gross domestic product.

Cyprus nearly went bankrupt in 2013 when a banking crisis coupled with overspending forced it to seek a multibillion-euro rescue deal from its eurozone partners and the International Monetary Fund. (AP)

BA-owner profits capped by computer crash, cartel fine

British Airways parent group IAG announced Friday a slight rise in net profits in the first half, with performance impacted by BA suffering a massive computer crash.

Profit after tax increased 2.4 percent to 557 million euros ($651 million) in the first six months of 2017 compared with a year earlier, with performance hit also by a sizeable EU fine against global airlines for their role in an air cargo cartel.

The London-listed carrier also took a charge of 44 million euros from a weak British pound, which has slumped since last year's shock EU exit referendum.

The weak pound slashes the amount that BA earns from ticket sales in its key British market, once the currency is converted into euros.

IAG, which operates also Spanish carrier Iberia, said Friday that it booked a charge of 65 million euros for three days of flight disruption at British Airways owing to a computer power failure, the parent group said in an earnings statement.

The airline cancelled 726 flights worldwide between May 27 and 29. Some 75,000 passengers were affected.

For the latest reporting period, BA also took a charge of 104 million euros related to the EU fine. The European Commission in March reinstated a near 800-million-euros fine against leading airlines, including also Air France-KLM and Cathay Pacific.

A top EU court threw out the penalty in 2015 but the Commission said its ruling would ensure anti-competitive behaviour in a key industry did not go unpunished.

In 2010, the Commission, the European Union's executive arm, fined 11 top airlines 790 million euros for running a price-fixing cartel between 1999 and 2006. (AFP)

Delta, Air France-KLM, Virgin unveil new partnership

Airlines' Atlantic pact guards against budget rivals, Brexit

BERLIN/NEW YORK, July 29, (RTRS): A transatlantic alliance between three global airlines will shore up their position in the lucrative UK-US market, shielding them from low-cost rivals and the uncertainties of Britain's exit from the European Union.

Delta Air Lines, Air France-KLM and Virgin Atlantic have announced plans for a 15-year partnership on routes between Europe and the United States and equity deals which will see them take stakes in each other.

The joint venture, announced on Thursday, will see the three carriers share their profits on transatlantic routes. It will give Air France-KLM greater access to the Britain-US market — among the most profitable — while the Franco-Dutch group's short-haul European flights could bring more customers to Virgin's US-bound flights from London.

The ability to offer customers a host of extra flights could give US carrier Delta an edge against domestic rivals including American Airlines and United Airlines.

The new alliance also provides the partners with a hedge against Brexit in the business travellers market, should Britain's EU departure lead to companies moving to the continent, and a consequent drop in air traffic from London.

Global banks have already said they could move thousands of jobs out of Britain to prepare for Brexit, while two major EU regulators are seeking new homes.

"This is a play on Delta's part to protect itself as Brexit unwinds should London lose traffic," said Atmosphere Research Group analyst Henry Harteveldt.

The partnership, expected to come into effect in 2018, will also strengthen the three big players' positions, at a time when low-cost entrants Norwegian Air Shuttle and Wow Air are shaking up the US-Europe market — though their share of flights remains small.

It will also allow for better use of the airlines' London Heathrow slots, analysts said, allowing them to free up extra short-haul capacity and move it to long-haul routes.

The partnership, which is subject to regulatory approval, would combine two existing and overlapping transatlantic joint-ventures, supported by equity deals worth $1 billion.

Willie Walsh, CEO of rival airline group IAG, said Air France-KLM's investment in Virgin Atlantic — it plans to take a 31 percent stake — could give it a bigger say in how Britain's aviation landscape looks post-Brexit.

"It probably represents a positive in terms of the Air France position in what the rules should be after Brexit ... they have skin in the game," he told analysts on Friday.

Most of the transatlantic market is controlled by joint ventures involving global airline heavyweights.

The new alliance would have about a 27 percent share of transatlantic flights, ahead of the 24 and 22 percent for the other two rival groupings.

Walsh declined to comment further on what the impact would be on IAG's own transatlantic partnership with American Airlines. He said, however, he remained positive on the outlook for the transatlantic market despite the recent increased competition.

It is not known which ownership rules will apply after Brexit, and whether Britain will remain part of the single European aviation market or the EU-US Open Skies pact and analysts expect carriers to look for creative solutions.

Air France-KLM said on Friday that it had agreed an insurance plan for ownership of Virgin Atlantic, which would see Virgin Group, whose stake is due to drop to 20 percent, regaining a majority share should the carrier need to be UK-owned after Brexit.

"In terms of influence in the important Heathrow and North Atlantic market this ticks all the boxes, and with (Virgin Group boss) Richard Branson moving to a minority position it will allow potentially a realignment of usage of Virgin's Heathrow slot portfolio," consultant John Strickland said.

In Google vs the EU, a $2.7B fine could just be the start

SAN FRANCISCO, July 29, (AP): Google's parent company Alphabet can easily afford the $2.7 billion write-down it's taking to cover a big antitrust fine in Europe. But it might find it harder to shrug off the rest of the European regulatory assault that's headed its way.

In June, a European Commission ruling slapped down Google for abusing its market dominance in search by unfairly directing visitors to its comparison shopping service, Google Shopping, to the detriment of its rivals. The regulators not only imposed a huge fine, they also insisted that Google change the way it provides search results in Europe.

Alphabet is still mulling an appeal of that ruling, which could take years to get through the European Court of Justice. And that case is only the first of several such investigations that have embroiled Google across the Atlantic, a situation that raises uncertainty about its ability to operate freely on the continent going forward.

After a seven-year antitrust probe, the European Commission concluded that Google stifles the ability of rivals like Yelp to compete. That's a different standard than in the US, where regulators tend to step in only when consumer prices go up due to monopolistic power.

Europe's top antitrust regulator, Margrethe Vestager, said Google "denied other companies the chance to compete on the merits." Google says it's giving consumers what they want: product listings with pictures and prices, saving them the trouble of repeating a search on another site.

In two other cases, the commission charges Google with allegedly forcing its Android smartphone partners to favor Google's apps and limiting the way its ad-partner websites can display search ads from Google rivals.

An Alphabet spokeswoman said Monday the company had nothing to say on the matter beyond its blog response to the fine last month, in which it painted itself as an underdog in product search compared to Amazon.

It's unclear how constraints on its behavior could affect it, but 33 percent of Alphabet's revenue — roughly $8.5 billion in the latest quarter — came from the region it calls Europe, the Middle East and Africa.

Beyond the fine, Alphabet faces a penalty of up to 5 percent of its average daily turnover if it doesn't give equal treatment to rival comparison shopping services in Europe by late September. It's up to Google to figure out how to do so.

"These things tend to hobble a company's behavior even if there isn't a decision," says Jonathan Taplin, a former professor at University of Southern California and author of "Move Fast and Break Things: How Google, Facebook and Amazon Have Cornered Culture and Undermined Democracy." "I don't think it's the end, I think it's the beginning."

Google's previous offers to the commission to change its search results were rejected. That's why it's confusing trying to predict what a solution would look like, says Mark Ballard, head of research for Merkle, an ad agency that represents Gap, Crate&Barrel and other big online ad spenders.

On Monday, Alphabet Inc reported second-quarter earnings of $3.52 billion, down 28 percent from $4.88 billion a year earlier; that figure includes the effect of the $2.7 billion European fine. Adjusted earnings were $8.90 per share, below the $10.26 analysts were expecting, according to FactSet. Revenues rose 19 percent to $20.9 billion after subtracting commissions it paid out, right on par with expectations.

Alphabet shares dropped more than 3 percent in after-hours trading, to $966.

Plenty of observers believe Google won't be unduly harmed by Europe's decision.

New technologies — like voice search — could make shopping listings mostly irrelevant, argues Martin Utreras, vice president of forecasting at eMarketer. "It's not like they have complete control of the market in any case." And companies still fond of the search giant will still likely spend money with it, no matter how results change, Ballard adds.

The global impact could also be limited if Europe's decision doesn't influence other global policymakers. Herbert Hovenkamp, an antitrust professor at the University of Pennsylvania, says it's unlikely that President Donald Trump will move to crimp the activities of technology giants, no matter how much he has criticized Amazon for not paying "internet taxes."

"The EU competition law authority is quite a bit to the left of US law," Hovenkamp said. "I don't see us following in the footsteps of the EU on this issue."

the bottomline

LONDON: Troubled British bank **Barclays** on Friday reported a first-half net loss after it offloaded part of its African business.

Barclays posted a loss after tax of £1.21 billion ($1.58 billion, 1.35 billion euros) in the six months to the end of June, while in the first half of 2016 it earned a net profit of £1.11 billion.

A loss after tax linked to the discontinued part of its African banking unit came in at nearly £2.2 billion, Barclays added in a statement.

Barclays has reduced its stake in its African operations as part of a global strategic re-think unveiled last year.

It recently sold 33.7 percent of Barclays Africa for £2.22 billion as the bank focuses attention on its two core markets of Britain and the United States.

Barclays though still wishes to keep its remaining stake of about 15 percent in the African division.

In the first-half, Barclays was hit also by setting aside a further £700 million to compensate customers mis-sold a controversial insurance product that has blighted the entire UK banking sector and cost it tens of billions of pounds. (AFP)

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ZURICH: Swiss banking giant **UBS** Friday posted higher profits for the second quarter as improved investor confidence led to growth in its wealth management units.

Net profit for the period was up 14 percent at 1.17 billion Swiss francs (1.03 billion euros, $1.21 billion).

The result was better than expected by analysts interviewed by Swiss agency AWP who predicted profits of 938 million Swiss francs.

Operating income came in as forecast at 7.2 billion.

The group said it is on track to reach its cost-savings target of 2.1 billion Swiss francs by the end of 2017.

"Considering market conditions, the second quarter results were very good and contributed to a strong first half of the year," said chief executive Sergio Ermotti.

"Our global wealth management business in particular delivered an excellent performance. The results once again demonstrate the value of our diversified business model, allowing us to grow profitably and sustainably over the cycle and in a variety of market conditions." (AFP)

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PARIS: Robust traffic and filling more seats on its planes helped **Air France-KLM** switch into profit in the first half of this year, the airline said Friday, a day after it announced alliances to strengthen its position in North America and Asia.

A capital increase announced Thursday will bring the US airline **Delta** and **China** Eastern into its shareholders. Meanwhile Air France-KLM took a minority stake in Britain's V**irgin Atlantic,** joining Delta.

Chief executive Jean-Marc Janaillac said he was "very pleased with the strengthening of our network of alliances".

"Our North-Atlantic alliance with Delta and the Delta and Virgin Atlantic joint venture, and the reinforcement of our partnership with China Eastern, position Air France-KLM as the European pillar of the leading global airline network," he said.

A 6.5 percent increase in passengers helped AirFrance-KLM lift earnings to a net profit of 151 million euros ($177 million), after having turned in a loss in the first half of last year. (AFP)

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PARIS: France's state-owned energy company **EDF** saw its profit slip in the first half of the year as two of its nuclear reactors were taken offline due to safety concerns.

Net profit slid 3.7 percent compared to the first half of last year to 2 billion euros ($2.3 billion), while operating profit tumbled 20.6 percent to 7.0 billion euros.

Production of electricity from its nuclear reactors fell 3.9 percent, with two reactors shut down due to concerns about equipment supplied by a contractor.

EDF operates 58 reactors and nuclear is the main source of electricity generation in France.

The company said negative market conditions and obligations to sell nuclear-generated electricity to competitors at a regulated price also hurt its earnings.

Meanwhile hydro power fell by 16.5 percent due to drought.

"In an unfavourable market context and in line with its forecasts, the Group is continuing to implement its performance plan and maintains its annual objectives," EDF's chief executive Jean-Bernard Levy said in a statement. (AFP)

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BERLIN: **Credit Suisse** says its second-quarter earnings were up 78 percent as its wealth management business reports a strong inflow of new assets.

The Swiss bank said Friday that net profit for the April-June period was up to 303 million francs ($316 million) from 170 million francs a year earlier. Operating expenses were lower and the company said it's on track to meet its full-year cost target.

Credit Suisse said its wealth management division saw a 12 percent increase in net new assets over the year's first half to 22.8 billion, the strongest showing in six years.

For the first half, the bank reported net earnings of 899 million francs. That compares with a net loss of 132 million francs in the first six months of last year. (AP)

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LONDON: British telecoms and television broadcasting firm **BT Group** on Friday posted a 42-percent slump in profits during its first quarter, rocked by fresh fallout from an Italian accounting scandal.

The news sent BT shares sliding four percent, with the company heading the fallers' board in morning deals on London's FTSE 100 index.

Pre-tax profits tumbled to £418 million ($550 million, 470 million euros) in the three months to the end of June, BT said in a results statement.

Revenues rose one percent from the same period last year to £5.84 billion.

BT took a new £225-million charge to settle a warranty claim with two key investors — Germany's **Deutsche Telekom** and France's **Orange** — arising from the Italy scandal.

The British company purchased mobile operator EE from Deutsche Telekom and Orange last year, in a £12.5-billion deal under which the pair also became BT shareholders.

BT had first revealed in October that an independent review had uncovered improper accounting practices and transactions at its troubled Italian division. (AFP)

Russian CB keeps key rate steady

Move follows three consecutive reductions

MOSCOW, July 29, (AFP): Russia's central bank hit the pause button on rate cuts Friday, deciding to hold off following three consecutive reductions amid a slight uptick in inflation.

The bank insisted "short-term and mid-term inflation risks persist" as it announced in a statement that it was sticking at the present 9.0 percent rate.

It said, however, that it is looking to resume its policy of lowering the rate to revive economic growth and "sees room" for cuts "in the second half of 2017".

"While making its decision hereinafter, the Bank of Russia will assess inflation risks, the inflation dynamics and economic developments against the forecast," it added.

Russia's central bank hiked rates sharply in late 2014 as the Russian economy buckled under the double-whammy of the collapse in oil prices and Western sanctions over Moscow's meddling in Ukraine.

Ever since it has proceeded cautiously with easing the rate, championing a "moderately tight monetary policy" against a background of economic uncertainty.

After slowing to 4.1 percent in May, consumer price inflation has rebounded to 4.4 percent now, the bank's statement said, slightly above the 4 percent target.

But the bank connected this "short-term rise" with "bad weather conditions" that have impacted the price of fruits and vegetables in recent months.

Global economic research company Capital Economics said Friday that it expected inflation to fall back to the central bank's target "towards the end of the year".

"As a result, we continue to expect more interest rate cuts than the markets are currently pricing in," the group said.

Slashing the interest rates is seen as a key way to help bolster economic growth as the country edges out of a biting two-year recession.

Economy Minister Maxim Oreshkin said Wednesday that growth could exceed the target of 2 percent this year on the back of an estimated 2.7 percent year-on-year increase in the second quarter of 2017.

In the first quarter of this year, the growth figure was just 0.5 percent.

A container is pictured in the 'Los Pajaritos' housing project in Sevilla on July 12. The Pajaritos housing project is the poorest in Spain, according to the urban indicators from the National Institute of Statistics (INE). (AFP)

Part of global offensive to smooth its exit

UK seeks post-Brexit trade deal with Mexico

MEXICO CITY, July 29, (AFP): Britain's trade minister Liam Fox met with Mexican counterparts to lay the foundations for a post-Brexit trade deal, part of a global diplomatic offensive to smooth its departure from the European Union.

Fox announced Britain had launched an informal working group with Latin America's second-largest economy seeking to "ensure all the preferential arrangements that the UK currently enjoys with Mexico remain in place."

Britain is walking a delicate line as Brexit talks inch forward in Brussels.

It will be ousted from all EU trade deals when it leaves the bloc — scheduled for March 2019.

But EU rules prohibit it from negotiating new deals until then.

In the meantime, top British cabinet ministers are engaged in a flurry of international diplomacy, seeking to set up new trade agreements with key partners without actually sealing any deals.

Fox's Mexico trip comes on the heels of a visit to the United States, where President Donald Trump this week hailed the prospect of a "very big" trade deal with Britain.

Foreign Minister Boris Johnson was meanwhile on a tour of the Asia-Pacific region, visiting Australia and New Zealand after a trip last week to Japan.

Fox insisted Brexit would make Britain more open to trade, not less.

"For the first time in more than four decades, the United Kingdom will enjoy a fully independent trade policy, free to build closer ties around the world with partners old and new," he told a breakfast meeting of business leaders in Mexico City.

"Any who are tempted to see our exit from the European Union as evidence of Britain looking inwards should think again. We have chosen a different path, to embrace the wider horizons of a truly global Britain in a truly global economy."

He said he and Mexican Economy Minister Ildefonso Guajardo, who held talks over dinner Wednesday, agreed on the need to champion free trade and "reverse a rising tide of protectionism."

Mexico is also keen to explore new trade relationships as talks loom on overhauling the North American Free Trade Agreement (NAFTA) with the United States and Canada, a major driver of its economy for the past two decades.

Trump vows to tear up NAFTA — which he says has shipped US jobs south of the border — if the US does not get a better deal at the talks, which open on August 16.

Mexico's economy, which is second only to Brazil's in Latin America, relies heavily on its preferential access to the United States, the customer for 80 percent of its exports.

Toronto airport warns labor strike may affect flights

TORONTO, July 29, (AP): Authorities at Toronto's Pearson International Airport, Canada's busiest, warned travelers that a strike by about 700 ground crew workers could affect some flights Friday.

Airport officials advised travelers to check the status of their flights and said they would provide updates as they become available.

The striking workers are employed by Swissport and include baggage and cargo handlers, cabin cleaners and other ground crew.

Swissport works with several major airlines operating out of Pearson, including Air Transat, Sunwing, British Airways, Cathay Pacific, Air France, KLM and Lufthansa.

Picket lines were set up outside Pearson's Terminal 3 and at a cargo terminal near Swissport's main offices.

The Greater Toronto Airports Authority said it has a contingency plan in place to deal with the labor dispute.

The unionized Swissport workers went on strike Thursday night after 95 percent of them voted to reject a contract offer.

Teamsters Local 419, the union representing the workers, has said striking employees would not interfere with passengers trying to catch planes.

The union said Swissport is attempting to impose a three-year wage freeze on most workers and require a minimum 30-hour week to qualify for full benefits, and is also seeking the right to change schedules with 96 hours advance notice.

Swissport said it has bargained in good faith throughout contract talks.