Commerzbank reports steady growth in Q1

Germany's second-largest lender Commerzbank on Tuesday reported steady growth in the first quarter, saying that it would press on with far-ranging restructuring plans over the rest of the year.

Net profit increased 28.4 percent to 217 million euros ($237 million) between January and March compared with the same period last year, the bank said in a statement.

But the group's revenues grew more slowly, edging up 2.2 percent to reach almost 2.4 billion euros, while operating, or underlying profit rose 11.3 percent to reach 314 million.

Revenues would have grown faster had it not been for "significant positive one-off effects" in the first three months of last year, the statement noted.

Commerzbank had a "good start to the new year and achieved a decent operating profit in the first quarter," chief executive Martin Zielke said.

The lender's restructuring drive, which will see it focus more on retail and business customers, was "on track", he added.

"It is also clear that it will take some time for our growth to be sufficient to significantly outweigh the burden of the negative interest rate environment," Zielke said. (AFP)

Credit Suisse gets $40m in tax breaks, adds 1,200 jobs

Credit Suisse is adding 1,200 jobs at its technology hub in North Carolina, which approved more than $40 million in tax breaks on Tuesday to lure the jobs away from the New York City area.

The Swiss bank is reorganizing operations and sharply reducing its workforce after two years of losses, cutting up to 6,500 jobs this year after slashing its overall headcount by 7,200 last year.

The announcement comes five weeks after North Carolina partially repealed a state law limiting the rights of gay and transgender people. Passage of House Bill 2 in March 2016 led financial firms Deutsche Bank and PayPal to cancel North Carolina expansion plans.

Critics called the partial repeal a sham meant to end boycotts, because it still prevents local protections from discrimination over sexual orientation and gender identity, and puts state lawmakers in charge of bathroom policies.

The bank had also considered the jobs announced Tuesday for Jersey City, New Jersey, according to documents provided by the state committee which approves large, discretionary tax breaks. (AP)

Political logjams making currency more resistant to market crises

Euro dodges new crisis with Macron win, but needs fixes

LISBON, Portugal, May 9, (AP): Vitor Rodrigues remembers when they told him in the 1990s that the euro would bring affluence. The owner and only full-time employee of the Leituria bookstore on a leafy street in Lisbon's Estefania district says he believed it.

"Now I feel very disenchanted," the 47-year-old says at his cash register. "The euro has served macro interests, not the man in the street. It's been good for banks and for political careers but it hasn't brought us any great benefits."

The euro, the target of populist politicians who claim it has inflicted undue economic pain on Europeans, has a new lease on life after Emmanuel Macron, a firmly pro-euro moderate, won the French presidential election this week. His rival, the right-wing Marine Le Pen, had wanted to pull France out of the bloc, with likely painful consequences for the currency.

But even Macron acknowledges the need to strengthen and reform the euro. He will find it, however, an uphill battle.

There are political logjams making the currency more resistant to market crises and to end its most painful shortcoming — a reliance on crushing budget austerity to fix countries whose finances and economies run into trouble.

Countries that ran into heavy debt — Greece, Ireland, Portugal, Cyprus and Spain — got bailout loans from the other members in return for massive cuts to public spending. That caused job losses, pushed families into poverty and hurt company earnings.

It pitted creditor countries like Germany and the Netherlands against the often resentful debtors. And even countries like France or Italy, large economies that are struggling to grow but did not need bailouts, have had to focus on public spending cuts to meet euro rules.

The eurozone is growing and many of these economies are now doing better. The EU's regular Eurobarometer poll shows 56 percent agree the euro is good for their country, with 33 percent saying it's bad. Even in Greece and Portugal, majorities support the euro. But the brutal bailout experience has left the kind of disenchantment Rodrigues conveys.

He says he and people he knows have undergone years of steady erosion of their buying power. "Someone in an average job, say middle management, earns less now than they did before the euro," he said.

Portugal hoped to graduate from being a low-wage economy with membership of the euro in 1999. But the low interest rates that came with its linkage to stronger economies like Germany invited overspending. Portugal dug itself deep into debt and needed a 78-billion-euro bailout in 2011.

Portugal's finances are healing, but only after years of cutbacks, including wage freezes and pension cuts. The average monthly salary in the private sector, also before tax, is around 1,100 euros ($1,200).

Worst hit has been Greece, which saw its economy shrink by a quarter. Shuttered storefronts litter downtown Athens. Whole families can be seen lining up for free meals at a growing number of soup kitchens.

What went wrong? When trouble arrived, member countries found that joining the euro had taken away important safety valves. They could not let their currency fall in value to make themselves more competitive in international trade. And there was no large central treasury to even out recessions.

Roberto Gualtieri, who chairs the committee on economic and monetary affairs in the European Parliament, thinks the need for new steps is widely enough recognized that action could follow the German election in September.

"I hope that after this electoral cycle, we will have the political conditions for providing more investments, more reforms, and better and more completed economic and monetary union," Gaultieri told The Associated Press. "The great victory of Macron is an encouraging signal in this direction."

There already have been a few fixes. Supervision of the biggest banks was toughened by handing it to the European Central Bank, to prevent the cost of bailing them out from forcing governments to require bailouts themselves, as in Ireland's case. The European Central Bank took market pressure off government finances by offering to buy the bonds of governments facing excessive borrowing costs. Member countries set up a bailout fund, the European Stability Mechanism.

So far, the 19 governments have not been willing to go farther. In particular, the idea of giving the European Union central taxing and spending authority remains anathema to Germany, the biggest and most politically powerful member. Germans don't want to get the bill for other countries' troubles in a so-called "transfer union."

British PM May vows energy price cap if re-elected

LONDON, May 9, (RTRS): British Prime Minister Theresa May pledged on Tuesday to cap household energy prices if she is re-elected on June 8, sending stocks tumbling with the biggest market intervention since the sector was privatised almost 30 years ago.

Energy bills have doubled in Britain over the past decade to about 1,200 pounds ($1,500) a year, putting the biggest providers in the sights of politicians and voters who are already battling rising inflation and limited wage growth.

May, from the centre-right Conservative Party, has previously praised free markets. But she has also warned that she would intervene in industries deemed to be dysfunctional. She said on Tuesday a move to cap energy standard variable tariffs would help about 17 million families.

"Like millions of working families, I am fed up with rip-off energy prices," she wrote in the Sun newspaper, the country's biggest selling title. "I expect (this) to save families on poor value tariffs as much as 100 pounds." The British market is dominated by six big providers - Centrica, SSE, Scottish Power, Npower , E.ON and EDF Energy - which account for about 85 percent of the retail electricity market.

The number of consumers switching suppliers rose to a record high last year and the big six providers held 99 percent of the market just five years ago, showing competition is improving.

But an investigation by the competition watchdog in 2016 said households had overpaid 1.4 billion pounds a year in the previous three years due to uncompetitive standard tariffs.

Shares in Centrica, which owns household energy supplier British Gas, fell as much as 5 percent in early trading, adding to the 10 percent fall recorded since the start of the year. SSE fell as much as 3 percent.

Analysts at RBC Capital Markets said the main reason for Tuesday's share price reaction was that May said the cap would apply to all standard tariffs, rather than just those customers deemed as vulnerable, as previously expected.

The industry has argued that a price cap would wipe out competition and damage investment. Centrica Chief Executive Iain Conn said last month the plan suggested some in May's government did not believe in free markets.

Britain's competition body in 2016 ordered suppliers to cap prices for customers on prepayment meters but the latest plan by May's Conservatives would mark the first time since privatisation of the industry in 1990 that a government intervenes to cap prices across the market.

May's party is around 20 points ahead in opinion polls.

Wall Street fears heightens

Fall of pay TV 'looms' as Net offers cheap bundles

LOS ANGELES, May 9, (RTRS): The slow-motion crumbling of pay TV has suddenly started to look like a looming avalanche. The unprecedented surge in cord-cutting during the first three months of 2017 has heightened Wall Street fears that the industry's enormously profitable big bundle of channels is coming apart at the seams — for real this time.

Add to that the debut last week of Hulu's internet TV service — priced at a low $40 per month for some 50 channels — which excludes cable programming groups like Viacom, AMC Networks and Discovery Communications. The cheap bundle, along with similar offerings like DirecTV Now, Sling TV and YouTube TV, will roil the sector more massively if consumers decide that they can live without 300-plus channels.

The first quarter's estimated net decline of 762,000 traditional US cable, satellite and telco TV customers was the worst to date, analyst firm MoffettNathanson noted. Since the first quarter of 2014, distributors have lost a cumulative 6.55 million customers. Even factoring in the growth from virtual skinny internet bundles, the sector has declined at an annual rate of 1.3 percent.

The numbers are too big to dismiss, and media stocks were punished last week as investors concluded that pay TV's best days are probably behind it. Less diversified programmers like Viacom, AMC Networks, Discovery Communications and Scripps Networks Interactive are considered the most at risk.

"This was supposed to be the quarter that media bounced back," noted analyst Craig Moffett. Now that the long-held expectation that pay TV subscriber losses would turn into a serious problem has finally come to pass in the first quarter, he opined, "the industry can't resist change anymore. The future has arrived."

Lars Leetaru for Variety

The dramatic acceleration of subscriber losses in the quarter exacerbated existing concerns over worsening TV ratings declines this year, UBS analyst Doug Mitchelson wrote in a research note. He theorized that price hikes by traditional providers at the start of 2017 — a nearly annual rite for cable and satellite operators due to escalating programming costs — might have had a significant effect on cancellations.

The internet, of course, is responsible for this overdue disruption of the cable and satellite TV biz. Netflix says that it streams 250 million hours of video daily, and YouTube users consume some 1 billion hours per day. That already siphons off loads of time normally spent watching the traditional tube, reducing the overall value of cable and satellite TV. And with several networks — HBO, Showtime and CBS among them — already offering their own Netflix-style over-the-top services, millions have realized they don't need to pay for a big bundle.

Programmers had hypothesized they could make the leap to the internet TV era through existing OTT providers, enabling them to reach the portion of the populace that has never paid for television or had cut the cord.

But that's not really how it's playing out: The new skinny bundles have mainly been luring customers away from older distributors. "My belief is that OTT will take share away from pay TV," Dish chairman and CEO Charlie Ergen told analysts last week. "So satellite and cable will be smaller five years from now than they are today."

Germany's industrial output, trade surplus slip in March

Solid data points to robust Q1 GDP growth

FRANKFURT AM MAIN, May 9, (AFP): Industrial production declined slightly and the trade surplus narrowed for Germany in March, official data showed Monday, although overall Europe's largest economy enjoyed a strong first quarter.

Industrial production was 0.4 percent lower in March than in February, adjusting for price, seasonal and calendar effects, federal statistics office Destatis said in a statement.

Analysts surveyed by data company Factset had predicted a slightly larger drop after a surprise leap in February.

Meanwhile, Germany's trade surplus — the amount by which its exports outweigh its imports — shrank slightly to 19.6 billion euros ($21.4 billion), according to preliminary data from Destatis adjusted for seasonal and calendar effects.

That was 1.5 percent lower than February's figure of 20 billion euros, as growth in imports outpaced a rise in exports.

"The economic situation in industry perked up in the first quarter of this year," the economy ministry said in a statement.

Meanwhile, "industrial orders and economic climate indicators point to continued positive trends," it added.

"Prospects for strong growth in GDP in the first quarter are very good after today's data," commented analyst Stefan Kipar of BayernLB bank.

Official data on German gross domestic product growth in the first quarter will be released on Friday.

Nevertheless, slower growth in industrial orders in recent months "limits the upward potential for industrial production in the coming months," Kipar went on.

Meanwhile, the lower trade surplus figure showed that "Brexit has left further marks on the German economy," analyst Carsten Brzeski of ING Diba bank suggested.

More pain is likely ahead as negotiations between London and Brussels and a possible further weakening of the pound take their toll on German-British trade, he predicted.

The slight decrease in the trade surplus is unlikely to quiet complaints from the United States and elsewhere that Germany is exporting too much while failing to invest the proceeds, Brzeski added.

Could lead to faster wage gains

Job openings increase slightly in March

In this, May 18, 2016, file photo, a woman passes a 'We're Hiring!' sign while entering a clothing store in the Downtown Crossing of Boston. On May 9, the Labor Department reports on job openings and labor turnover for March. (AP)

WASHINGTON, May 9, (AP): Steady job growth has left US employers with an increasingly shallow pool of unemployed workers to consider hiring, something that could lead to faster wage gains.

The number of job postings for each unemployed person fell in March to its lowest level in more than 16 years, according to a report released Tuesday by the Labor Department.

This means that businesses may face fewer qualified applicants for jobs and could choose to increase pay in order to attract workers — possibly causing wages to accelerate after several years of sluggish growth.

Employers posted a seasonally adjusted 5.7 million jobs in March, a slight 1.1 percent increase from February.

Meanwhile, past hiring gains meant there was a steep decline among the unemployed seeking work during the same period. As a result, there is the equivalent of 1.25 jobless people for each opening — the best ratio since January 2001.

Hiring in March edged up a mere 0.2 percent and is still running below the levels seen in January and December, a sign that employers may not be finding workers.

But more Americans felt confident enough in March to quit their jobs, as the number of quits rose 2.6 percent to 3.1 million. Workers typically quit either when they have another job or are optimistic they can find one — and possibly receive a pay raise.

Continued price

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Indeed, developments in the US oil sector tend to exert an outsized influence on the oil markets. While this is partly a result of the US's newfound status as a swing producer, thanks to the special dynamics of light tight oil (LTO, or shale) production, which has had markets enthralled with oil rig counts, crude stocks and drilling productivity, it is also a reflection of the greater frequency and general reliability of US data reports when compared to those from other sources.

Such information asymmetry has proven to be a significant challenge to OPEC, which has discovered that despite its best efforts to up the bullish rhetoric—with moves and continued references to an extension of the production cuts, for example—prices have largely been at the mercy of bearish signals emanating from the US. There, a doubling of oil rigs since last summer has propelled US crude production higher by a sizable 837,000 b/d, or 10%, to 9.27 mb/d.

Were OPEC and non-OPEC oil producers to extend their agreement beyond June, as seems likely, then by most estimates the market should tighten significantly and global stocks should decline more rapidly.

Indeed, according to the IEA's oil demand and supply figures, the oil market has already entered a state of undersupply.

Assuming OPEC sustains its current 100%-plus compliance rate over the next three months and extends the cuts into the second half of the year, then the 300 million barrel stock draw that the group is aiming for should be reached before the end of 4Q17.

Of course, this also assumes that global crude demand growth does not disappoint on the low side, and that global non-OPEC supply growth doesn't accelerate more quickly than anticipated.

Financial experts

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He informed that tax revenue in Kuwait constitutes an exceptionally small part of total revenue and that the envisaged VAT and excise taxes would help diversify resources and reduce vulnerability to oil price movements. He also underscored the importance of reforming the profit tax system by reducing and unifying the tax rate, which would not only increase tax revenue but would also level the playing field for businesses operating in Kuwait. He shared that expenditure reforms in the areas of subsidies, wage bill and social transfer programs were crucial to underpin durable adjustment and reduce budget rigidities.

Chadi Abdallah discussed the recent developments in energy subsidy reforms in MENA countries and the challenges that lie ahead. He pointed out that the distribution of petroleum subsidies among income groups shows that subsidy promotes inequality by mostly benefitting the upper income groups despite the best intentions of the State. He affirmed that many MENA countries have recently taken important steps towards reducing energy price subsidies and in a promising move, all MENA Arab oil exporters have recently increased domestic prices for energy products, ranging from a total elimination of fuel price gaps relative to opportunity cost as in the case of the UAE to sharp increases but with sizable remaining price gaps in countries of Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia.

Abdallah noted that most MENA countries still have not adopted automatic pricing mechanisms for fuel products, potentially making ad-hoc price increases unsustainable and in most MENA countries, the energy price setting mechanisms have not yet been depoliticized. He warned that overall ad-hoc price increases that are not accompanied by deeper reform measures are not sustainable and emphasized that, looking forward, a successful strategy is urgently needed and should build on a clear communication strategy, a de-politicization of the price setting process, and a proper compensation for vulnerable groups that will potentially be affected by the reform.

He presented evidence indicating that the macroeconomic impact of energy price reforms can be very large. Energy subsidy reform will ensure that, in the medium to long term, capital and labor will be re-allocated towards more efficient labor and skill intensive sectors. Estimates suggest that the GCC countries could generate permanent real income gains of up to 1.4 percent of GDP if domestic energy prices are increased to reflect cost recovery levels, with the gains being even much larger if savings were invested. Meanwhile, potential negative impacts associated with the reform may present some challenges in the short term, but these could be carefully managed, including by adopting a more gradual approach to reform and by devising temporary policies that provide support for the most tradable and energy-intensive sectors, conditional on their competitiveness as well as the functioning of capital markets that provide credit for investments.