lending to eurozone firms picks up in January: ECB

The pace of growth in lending to eurozone businesses picked up in January, European Central Bank data showed Tuesday, in a welcome piece of news for the institution as it eyes an exit from its easy money policy. Credit to firms grew 3.4 percent year-on-year adjusting for some purely financial transactions, the central bank said, some 0.3 percentage points higher than in December.

Combined with steady 2.9 percent growth in lending to households, overall lending to the private sector expanded by 3.3 percent last month, picking up the pace by 0.4 percentage points.

The ECB is closely eyeing indicators like loan growth as it sketches a path to the exit from years of support to the eurozone economy.

It has set interest rates at historic lows, offered cheap loans to banks and bought tens of billions of euros per month in bonds in a bid to pump cash through the financial system and to businesses and households. Policymakers hoped the moves would stoke growth and power inflation towards their target of just below 2.0 percent.

But while economic expansion has accelerated in the 19-nation eurozone — hitting 2.5 percent last year according to statistics authority Eurostat — inflation has remained sluggish, slowing to just 1.3 percent in January. (AFP)

Norway's wealth fund doubles return in 2017

Norway's $1 trillion sovereign wealth fund, the world's largest, doubled its return on investment in 2017, beating its benchmark, as strong global stock markets boosted the value of the portfolio, it said on Tuesday.

The fund earned a return of 13.7 percent in 2017, up from 6.9 percent in 2016.

"The fund's cumulative return since inception has passed 4,000 billion Norwegian crowns ($511 billion). One out of four crowns of return was generated in 2017, after a very strong year for the fund," CEO Yngve Slyngstad said in a statement.

The fund invests the proceeds from Norway's oil and gas production for future generations in stocks, bonds and real estate abroad.

It is one of the world's largest shareholders, with investments in around 9,100 companies worldwide, equivalent to 1.4 percent of listed companies globally.

The fund's biggest single company investment at the end of 2017 was in Apple Inc, worth 66 billion crowns, ahead of Nestle at 51 billion and Royal Dutch Shell at 50 billion.

Apple was also the biggest single contributor to the fund's returns in 2017, ahead of Chinese tech group Tencent Holdings and Microsoft. (RTRS)

Decision could cut value of diesel cars as shares of automakers under pressure

Diesel cars can be banned from German cities, court rules

LEIPZIG, Germany, Feb 27, (RTRS): German cities can ban the most heavily polluting diesel cars from their streets, a court ruled on Tuesday, a move likely to be mirrored in other parts of Europe and to force automakers to pay to improve exhaust systems or switch to cleaner vehicles.

There has been a global backlash against diesel-engine cars since Volkswagen admitted in 2015 to cheating US exhaust tests, meant to limit emissions of particulate matter and nitrogen oxide (NOx), known to cause respiratory disease.

The ban in the birthplace of the modern automobile is a new blow for automakers, and an embarrassment for Chancellor Angela Merkel's government, which has come under fire for its close ties to the car industry, and had lobbied against a ban.

The ruling was praised by environmentalists but angered right-wing politicians, who said millions of drivers faced de facto expropriation of vehicles they could no longer use. Tradesmen and retailers said it could hit their business.

Merkel noted that the ruling did not affect all drivers in Germany, but said the government would discuss with regions and municipalities how to proceed. The ruling could have wider implications.

Paris, Madrid, Mexico City and Athens have said they plan to ban diesel vehicles from city centres by 2025, while the mayor of Copenhagen wants to ban new diesel cars from entering the city as soon as next year.

Sales of diesel cars have been falling fast in Europe since the Volkswagen scandal, with fears of driving bans sending demand sharply down in Germany in the last year.

The ruling by the country's highest federal administrative court came after German states had appealed against bans imposed by local courts in Stuttgart and Duesseldorf in cases brought by environmental group DUH over poor air quality.

"This is a great day for clean air in Germany," DUH managing director Juergen Resch said.

"This is a debacle for the policies of the grand coalition, which has sided with the auto industry," Resch added, referring to the ruling coalition of conservatives and Social Democrats that Merkel hopes to renew in the coming weeks.

The court on Tuesday ordered the German cities of Stuttgart and Duesseldorf to amend their anti-pollution plans, saying that city bans can be implemented even without nationwide rules.

The shares of German automakers Volkswagen, Daimler and BMW slipped after the ruling, trading down 1.4 percent, 0.3 percent and 0.6 percent, respectively.

The DUH group sued Stuttgart and Duesseldorf to force them to implement driving bans, after about 70 German cities were found to exceed European Union NOx limits. The group is also suing another 20 cities in Germany over air quality.

The court said that Stuttgart — the birthplace of the combustion engine and home of Mercedes-maker Daimler — should consider gradually imposing a year-round ban for all older diesel models, as well as some even older gasoline models.

However, it said cars which meet Euro-5 emissions standards should not be excluded until Sept 1, 2019, four years after the introduction of the latest Euro-6 standard. Stuttgart should allow exemptions for tradesmen and some residents, it added.

Automakers could still try to avert a ban by agreeing to upgrade exhaust cleaning systems of older diesels, German motorists club ADAC said, calling on the government to pass legislation allowing that swiftly.

Of the 15 million diesel cars on Germany's roads, only 2.7 million have Euro-6 technology.

The share of diesel cars in overall vehicle production in Europe could be cut to 27 percent by 2025 from 52 percent in 2015, Barclays forecasts.

The German government had sought to avert driving bans by pushing automakers to agree to overhaul software on 5.3 million diesel cars and offer trade-in incentives for older models.

But environmental groups have lobbied for improvements to exhaust cleaning systems for cars with Euro-6 and Euro-5 standards, which Evercore ISI has estimated could cost up to 14.5 billion euros ($17.9 billion) for just Euro-5 diesels.

Weak German inflation shows ECB still facing uphill battle

EU-harmonised rate hits 15-month low in Feb

BERLIN, Feb 27, (RTRS): German inflation slowed more than expected to hit a 15-month low in February, suggesting that price pressures in Europe's largest economy are muted despite a robust upswing, rising wages and unprecedented monetary stimulus.

The weak data, released by the Federal Statistics Office on Tuesday, highlights the European Central Bank's (ECB) uphill battle in getting inflation in the whole eurozone close to its price stability target of just below 2 percent.

German consumer prices, harmonised to make them comparable with inflation data from other European Union countries, rose by 1.2 percent year-on-year after an increase of 1.4 percent in the previous month, the data showed.

That was weaker than the 1.3 percent forecast in a Reuters poll. It was also the lowest reading since November 2016 and marked the third consecutive fall in the headline figure.

"Even in Germany, it almost seems like a feat to reach an inflation rate of over 2 percent — despite low unemployment and relatively high wage settlements," VP Bank economist Thomas Gitzel said.

Gitzel said he expected the combination of high growth rates and subdued inflation to continue in the coming months.

"Mario Draghi thereby lacks important arguments for a clear change of course. For the time being, higher interest rates remain nothing more than a pious wish," Gitzel said.

The statistics office did not provide a preliminary reading for German core inflation. But regional data from the states suggested that cheaper energy costs and weaker food inflation were the main reasons for the drop in the headline figure.

The preliminary numbers also showed that EU-harmonised prices rose by 0.5 percent compared to January. This undershot a 0.6 percent rise expected by analysts.

Inflation figures from Europe's largest economy are closely watched because of their influence on the ECB's monetary policy.

Jessica Hinds of London-based Capital Economics said in a research note that German inflation remained subdued and that this would reinforce the position of ECB policy "doves" who are cautious about rapidly unwinding stimulus.

Markets digest Powell remarks

Italy-Germany bond yield spread tightens

LONDON, Feb 27, (RTRS): Italian government debt outperformed eurozone peers on Tuesday as investors snapped up the country's last bonds to be auctioned before an election this weekend, while comments from the new Fed chief Jerome Powell eased broader markets.

In his first prepared testimony as chairman on the Federal Reserve, Powell said the US central bank would stick to a gradual approach to raising interest rates with inflation stuck below its 2 percent goal.

Eurozone bond yields initially rose after the comments but soon trimmed those rises in line with US bond yields.

In Europe, Italy remained a key focus. The southern European country, which goes to the polls on Sunday, sold around 7.71 billion euros of debt.

That was towards the top end of a targeted range, helping support Italian bonds and suggesting sentiment towards Italian assets ahead of the election remains firm.

"Given the risks we have ahead of the election and with bond yields turning up, the auction results saw fair demand," said Daniel Lenz, a rates strategist at DZ Bank.

Italy's 10-year bond yield was 2 basis points lower at 2.09 percent, while most other long-dated eurozone bond yields were flat to 1 basis points higher on the day.

The gap between Italian and German bonds yields narrowed to 143 bps, its narrowest in five days and below recent highs of 152 bps.

That spread has widened in recent weeks as the election has approached, making Italian bonds more attractive to those investors who take a more sanguine view of political risk in the eurozone's third-largest economy.

Analysts said the market is looking beyond the election, expecting most of the tail risks to be averted.

Polls point to a hung parliament. But while they suggest the anti-establishment 5-Star Movement is by far the most popular single party, a centre-right coalition led by Forza Italia and the League party looks the most likely outcome.

"(Italian centre-right leader Silvio) Berlusconi has changed the game by taking away some of the people who were ready to go for 5-Star, which makes it harder for (5-Star leader) Beppe Grillo to have a majority," said Francois Savary, CIO at Swiss Wealth Manager Prime Partners.

Germany's 10-year bond yields rose 1.5 bps to 0.67 percent, shrugging off news that German inflation has slowed.

But Bundesbank President Jens Weidmann said on Tuesday that rapid and broad-based economic growth would ensure inflation continues to rise, so the European Central Bank should gradually reduce its stimulus

A car using 5G technology is displayed at the Mobile World Congress wireless show, in Barcelona, Spain on Feb 27. The annual Mobile World Congress (MWC) runs from Feb 26-March 1 and draws over 2,300 exhibitors to Barcelona, including industry heavyweights Samsung, Huawei and Nokia. (AP)

First commercial deployments expected at end of year

5G wireless services race heats up

BARCELONA, Feb 27, (AFP): The race to bring super-fast 5G wireless services to market is heating up with the first commercial deployments of the much-anticipated technology expected at the end of the year.

Talk about 5G's potential to pave the way to a world of self-driving cars, lightening-fast video downloads and smart cities have dominated the Mobile World Congress in Barcelona.

But at the event in Barcelona this year, companies were full of concrete announcements of early versions of 5G uses.

The first commercial 5G roll-outs begin this year and next in the United States, Korea and Japan, and the wireless industry is counting on the new technology to trigger a wave of growth in equipment sales and mobile services.

China's Huawei unveiled in Barcelona what it said is the world's first commercial chipset that meet the standards of 5G wireless networks, which are better suited for virtual reality and high definition video.

KT Corp, South Korea's largest telecoms firm which exhibited several 5G services at the Pyeongchang Winter Games, displayed at the congress what it said was the world's first 5G tablet.

The telecoms industry only agreed to the first common 5G standards in December and analysts cautioned that the development of the network still has a long way to go.

Much of what is being billed as 5G in fact "resembles more LTE++", or an improved version of the existing 4G network in use in most developed nations, said Carole Manero, director of studies at IDATE, a French think tank on the digital economy.

"There is a lot of marketing use of 5G," she added.

The next common 5G standards will only be announced later this year so "what is being proposed now is just a first version, many evolutions will follow, as was the case with 4G," said BMI Research analyst Dexter Thillien.

Tech firms are spending heavily to develop products that take advantage of the network's possibilities.

"We are investing heavily in 5G, nearly 600 million dollars per year in research and development," said Huawei executive director and president of products and solutions Ryan Ding.

Telecoms operators are also investing heavily to develop 5G networks for fear of falling behind their competitors.

5G will account for 14 percent of global wireless connections by 2025, according to GSMA, the global mobile operators association.

Deutsche Telekom CEO Timotheus Hoettges has estimated the cost of providing 5G networks in Europe alone will be EUR300-500 billion ($370-615 billion).

The telecoms industry will invest $275 billion in the United States to develop 5G networks there, Sprint chief executive Marcelo Claure said Monday at the mobile congress in Barcelona.

While the European Union wants European companies to start offering 5G in 2020, spending to develop the network has been lower than in Asia or the United States.

"The timescales vary widely on a country by country basis but the USA and China are the most likely winners to be the first" in 5G deployment, Nokia chief executive Rajeev Suri said on Sunday.

He said he still believed some European operators would start to move up to 5G next year.

In Europe telecoms firms are focusing their 5G efforts on business uses instead of by the general public as in other regions.

Industry struggles to go green

Secondhand smartphone market 'takes off': report

BARCELONA, Feb 27, (AFP): Thanks to a fast-growing secondhand market, smartphones are increasingly being re-used but large-scale handset recycling is not happening as the industry struggles to go green.

Thrown in the thrash or left abandoned in a drawer, the fate of mobile phones —- which consumers replace on average every two years — is starting to change amid growing criticism over their environmental impact.

"People love technology — the upgrades, the unboxing, the new features," the EEB network of environmental groups in Europe said in a statement as the world's largest mobile phone fair opened this week in Barcelona.

"But there's a dirty side to our tech obsession: trainloads of e-waste trundling out of our cities and towards hellish waste dumps in Africa and Asia."

According to a recent UN report, small devices like smartphones represented nine percent of all e-waste in the world in 2016, up from seven percent in 2014.

But things in the mobile sector are slowly starting to change.

"There is very strong growth in the reused phone market," said Bertrand Grau, a technology analyst at Deloitte, which forecasts sales of second hand mobile phones will expand by 20 percent a year between 2015 and 2020.

The surge in sales of second-hand phones — which may just need a change of battery or screen — is being fuelled in part by consumers, who are reluctant to dish out more money for new models that offer little innovation.

"Phones are becoming more and more expensive, more than 1,000 euros for the iPhone X, but the established brands are attractive so people prefer to buy a refurbished Apple phone rather than a cheaper Chinese brand," said Grau.

As such, mobile brands and operators are increasingly offering phone exchange programmes. Consumers can turn in their old model to get a discount on a new one or cash.

"Today this has become almost a mainstream practice around the world," said Biju Nair, the head of Hyla, a Texas-based firm which helps the industry collect and repurpose used phones and had a stand at Barcelona's Mobile World Congress.

Hyla and other such firms provide operators with software that checks the state of the phone, makes sure it was not stolen, erases all the data on the device and makes it reusable.

French start-up Volpy, meanwhile, has created an app that buys phones directly from consumers and sends a courier to fetch the handset.

"We realised that smartphones that had significant market value were not recycled, even though there was an interest for consumers to do so," said Volpy head Marc Simeoni.

The system is still in its infancy. Only 7 to 15 percent of smartphones sold in France, and 20 to 25 percent of those sold in North America, are reconditioned.

Struggling telcos rebrand with scant success

Turkcell blazes its digital trail

BARCELONA, Feb 27, (RTRS): Growth is so hard to come by in the telecoms sector that Turkcell CEO Kaan Terzioglu pledged to grow a moustache when he took over in 2015 and only shave it off if he met his performance targets.

Terzioglu still sports a thick handlebar but only, he says, because he lifted his goals after hitting them a year early — on the back of a digital overhaul he initiated at the Turkish company.

"We call ourselves a digital operator — we managed to transform our value proposition," Terzioglu said in a recent video chat via messaging app BiP, Turkcell's answer to Facebook-owned WhatsApp.

Turkcell's digital arm Lifecell has introduced subscription-based products such as BiP for online messaging, fizy for music, and TV+ for video streaming, which Terzioglu was promoting at the Mobile World Congress in Barcelona this week.

BiP is similar to Wechat, the popular all-purpose social media product developed by China's Tencent, and allows users to send money to friends, or use the third-party apps of banks or airlines on a revenue-sharing basis.

Lifecell's core suite of nine digital apps has been downloaded over 80 million times, serving more than half of Turkcell's customers, and fizy is three times as popular in Turkey as streaming pioneer Spotify, the company says.

Terzioglu now wants to partner with operators abroad to market the Lifecell app suite.

Turkcell isn't the first telecom operator to try and pull off the transformation from voice calls and data to becoming a so-called platform company.

VEON, formerly a Russia-focused telco called Vimpelcom, announced a similar digital relaunch a year ago at the same industry gathering.

But in its latest annual results, VEON, which has 240 million customers, said its flagship mobile app — available in Italy, Russia, Ukraine, Georgia and Pakistan since 2016 — had been downloaded just 8.3 million times.

Turkcell's transformation to digital has been helped by fast-growing demand in its home market.

It is Turkey's leading mobile operator and thanks to investments in LTE wireless networks can offer high data speeds, Terzioglu said.

Its share price is up 40 percent over the past year, although its market capitalisation — at $9 billion — is still a fraction of Europe's largest telecom operator Deutsche Telekom, which is worth $79 billion.

Going digital for a telco risks cannibalising its bread-and-butter business — voice and text messaging. Digital apps, meanwhile, require a totally new skillset to analyse and profit from the customer data they yield.

Spain's Telefonica, whose interests span Europe and Latin America, also embarked on such an undertaking last year, announcing it would shift all its businesses onto a unified 'fourth platform'.

This year, Telefonica unveiled its own digital assistant so that customers can use voice commands to administer their accounts or interact with other online helpers like Google Assistant.

Yet the assistant, called Aura, will work differently across the six markets where it is being launched, largely due to the complexity of Telefonica's portfolio — from mobile-only in Britain to a Brazilian player created out of several takeovers.

"That's our reality," Telefonica's chief digital officer, Chema Alonso, told Reuters in Barcelona.