Hollande's hiring targets in doubt as reform talks begin

PARIS: A producer from Brittany gives a piece of cheese to French Interior Minister Manuel Valls (left) while French Agriculture Minister Stephane Le Foll (right) looks on during their visit to the Paris International Agricultural Show yesterday in Paris. The 51st edition of the Paris International Agricultural Show is taking place until March 2. —AFP

PARIS: French unions and employers started talks yesterday over how to cut social charges weighing on companies, though both sides doubted the cuts could be linked to hiring targets as President Francois Hollande first promised.

The government hopes the parties will agree by early April on the terms of Hollande's so-called "responsibility pact", which aims to restore French corporate margins - the lowest in the euro zone - by cutting what they pay in social charges by some 30 billion euros ($41.00 billion).

Jobless data for January showed a new rise, after the Socialist-led government failed to keep a promise to get unemployment coming down by the end of 2013. Unveiling the plan last month as part of a shift to more business-friendly policies, Hollande said business would in exchange have to commit to "clear, precise, measurable and verifiable" hiring targets.

But employers and even some union leaders agree such goals would be unworkable. "From a macroeconomic point of view it's absurd to think that we can set a numerical (hiring) target," Laurent Berger, head of the CFDT, France's largest union by membership, told Les Echos business daily.

Pierre Gattaz, the head of France's main employers group Medef, has previously cited a target of creating one million extra jobs. But since then he has said he would reject any legally-binding hiring targets. Talks are due to conclude shortly after local elections in late March with a draft law based on the deal to be sent to parliament around September, delaying any potential boost to job creation until the final quarter of 2014.

"The pact will take effect over time, but nobody is able to say that it will start to create jobs in six or eight months," said Joseph Thouvenel, vice president of the CFTC union. Thouvenel said unions were likely to see hiring goals per professional sector, not on a national level, and that they may be defined in qualitative terms rather than numerically. "Of course you can't have set the same objectives for the automotive sector, which is in decline, and the aeronautic sector, which is expanding," he added.

Hollande is relying on lower labor costs to kick-start hiring and economic growth quickly after he failed last year to start bringing down unemployment, currently above 11 percent.

Despite billions of euros spent on subsidized jobs, a reform loosening rules on hiring and firing and a major tax break for companies, joblessness hit a record in January with the number of people out of work up by 8,900. Sapin said this week the jobless total should start to fall this year. But the European Commission forecast that France's jobless rate to stay at 11 percent in 2014. —Reuters

IAG confident on 2015 profit target

LONDON: British Airways-owner International Airlines Group said it was on track to more than double profit over the next two years, as a turnaround at its Iberia unit gains traction and it drives down costs across its business. IAG swung to a profit last year, boosted by a strong performance at British Airways and on revenue from newly acquired low-cost carrier Vueling, which competes with Ryanair and easyJet in European short-haul. Operating profit was 770 million euros ($1 billion) before exceptional items last year, beating an analysts' consensus forecast of 765 million from a 23 million loss in 2012. IAG's target, which it raised by 12.5 percent in November, is to lift operating profit to 1.8 billion euros for 2015, through cost cuts at BA, Iberia's recovery and Vueling growth.

Shares in IAG, which have doubled over the last twelve months, fell 3 percent to 438 pence by 1106 GMT. "They're in line with consensus but one got the impression that there was an expectation that given their cost measures and the strength of North Atlantic that they could have beaten consensus," RBC analyst Damian Brewer said.

Reconfirming its 2015 profit target yesterday, IAG said it expected to make steady progress this year by cutting costs. "They're still guiding to a 2015 figure of 1.8 billion euros, so they obviously have a lot of work to do this year. In that context with the stock having doubled, and these numbers only being in line, you're going to get some profit taking," Cantor analyst Robin Byde said.

Chief Executive Willie Walsh said the company was heading in the right direction to be able to reinstate its dividend. "Our intention is to get the business to a position where it can pay a dividend and sustain the significant capital expenditure program that we have embarked on," he said.

"Clearly with the progress we've made in 2013 over 2012, and our restatement of our goal for 2015, we're certainly on track to achieve that situation," he told reporters on a call.

Iberia, which has dragged on group earnings since the merger with BA in 2011, narrowed its operating loss by 185 million euros to 166 million euros in the year.

"Iberia's making good progress. It's ahead of where we believed it would be in 2013 and is on line to be profitable in 2014," Walsh said. IAG has agreed with Spanish pilots on cutting labor costs. That and new capacity at BA would drive down units costs and lift profits, he said, noting that performance was good across its markets, except in the Spanish domestic market. —Reuters

Euro-zone jobless rate steady, inflation flat

Draghi sees no deflation threat

BRUSSELS: The euro-zone unemployment rate was steady at a near-record 12 percent in January, with a modest economic recovery yet to produce any sharp headline improvement, while February inflation was also flat, data showed yesterday.

The official figures suggest the bloc continues to make slow progress after exiting a record 18-month recession in second quarter 2013 but growth since then has been far from stellar, reflected in the high jobless figures and low inflation. Analysts said the economy seems to be stabilizing but the European Central Bank will have to be on guard and ready to take more stimulus measures if need be.

Inflation is muted while the "jobs problem is far from over as the unemployment rate remains damagingly high at 12 percent," said Howard Archer of IHS Global Insight. The January outcome meant the jobless rate has been flat at 12 percent since hitting a record 12.1 percent in September. For the 28-member European Union, the January unemployment rate was also unchanged at 10.8 percent. The euro-zone jobless total in January was 19.18 million, with 26.23 million out of work in the EU, representing falls of 67,000 and 449,000 compared with January 2013.

Compared with December 2013, however, both totals were up by 17,000. By country, the lowest January unemployment rates were in Austria, on 4.9 percent, with 5.0 percent in Germany, Europe's biggest economy. Twice-bailed out Greece was hardest hit with 28 percent (based on November figures) followed by Spain on 25.8 percent.

Low inflation, deflation concerns

Inflation in the 18-nation currency bloc was flat at 0.8 percent in February, Eurostat said. By component, food, alcohol and tobacco prices rose 1.5 percent in February, a slower rate than the 1.7 percent reported in January while energy costs were down 2.2 percent after a fall of 1.2 percent, Eurostat said. Inflation has trended steadily lower in recent months, coming in well below the ECB target of close to but just under 2.0 percent and stoking concerns about a risk of deflation, or falling prices in absolute terms.

Deflation is dangerous because if consumers believe prices will fall they put off purchases, which forces companies to delay investment, hitting salaries and jobs, and so setting up a vicious downward circle.

ECB chief Mario Draghi insisted again Thursday that he saw no danger of deflation as there was no "evidence of consumers postponing expenditure plans." Even though current inflation rates "can clearly not be considered close to 2.0 percent... we are clearly not in deflation, which is defined as a self-reinforcing fall in prices that is broad-based across items and across countries," Draghi said.

Archer said inflation may have bottomed out but it "is still markedly lower than the ECB would like," a concern when coupled with falling bank lending to businesses. —AFP

KABUL: Afghan laborers work at a construction site in Kabul yesterday. Afghanistan's economy is recovering from decades of conflict but despite the significant improvement in the last decade it is extremely poor, and highly dependent on foreign aid. — AFP