FedEx Q1 results mixed, lowers fiscal 2016 outlook

DALLAS: FedEx reported disappointing results for its latest quarter, and the delivery giant cut its full-year profit forecast on weaker demand for freight services and higher costs in its ground division.

The company also said it plans to hire about 55,000 seasonal workers for the holidays. At this time last year, FedEx announced it would hire 50,000 seasonal workers for the holidays. Its shares fell about 2.5 percent in premarket trading 45 minutes ahead of yesterday's opening bell.

FedEx Corp. said that it expects to earn between $10.40 and $10.90 for the fiscal year that ends next May, down 20 cents from an earlier prediction. Analysts expected $10.84, according to a survey by FactSet.

The reduced outlook comes despite rate hikes averaging 4.9 percent, which will take effect Jan. 4, and higher surcharges for ground shipment of heavy or large packages, which begin in November. The company said it still expects earnings to grow over the previous year because of cost -cutting, higher revenue and growth in online commerce.

Chairman and CEO Fred Smith said the company was "performing solidly given weaker-than-expected economic conditions, especially in manufacturing and global trade." The holiday-hiring plans were announced a day after rival UPS said that that it plans to hire 90,000 to 95,000 extra workers, about the same that it hired last year.

In the quarter that ended Aug. 31, FedEx earned $692 million, up 6 percent from a year earlier. Earnings per share amounted to $2.42, short of the $2.44 per share average forecast of 12 analysts surveyed by Zacks Investment Research.

Revenue rose 5 percent, to $12.3 billion. Six analysts surveyed by Zacks expected $12.23 billion. FedEx has been hit in recent years by a decline in priority international shipping, which has caused revenue in its Express unit to stagnate. But the boom in online shopping has boosted results at FedEx Ground.

In the latest quarter, ground revenue rose 29 percent but operating income was basically flat on higher costs for larger packages and self-insurance. The express unit saw higher income because of higher base rates, while income fell in the freight business on higher labor costs.

In premarket trading about an hour before the opening bell, FedEx shares were down $3.85, or 2.5 percent, to $150.15. They closed Tuesday down 11 percent for the year and 17 percent below a record high on June 11. —AP

GE to move US jobs overseas in fight over export credits

WASHINGTON/NEW YORK: Flexing its muscles amid a bitter congressional fight over the US Export-Import Bank, General Electric Co on Tuesday revealed plans to shift up to 500 US manufacturing jobs to Europe and China because it can no longer access EXIM financing.

The largest US industrial conglomerate said it will move production of some heavy duty gas turbines and 400 jobs to Belfort, France, in exchange for a credit line from France's COFACE export agency. The deal will support GE bids for international power projects.

US plants in Greenville, South Carolina; Schenectady, New York; and Bangor, Maine, will lose out on those jobs if GE wins the power bids, a GE spokeswoman said. GE also said 100 additional final assembly jobs for smaller turbine generator sets derived from aircraft engines will move next year from outside of Houston to Hungary and China. No US facility will close, a GE spokeswoman said.

The company is bidding on $11 billion worth of international power projects that require export credit agency financing, including some in Indonesia. The announcement rang alarm bells on Capitol Hill as lawmakers, still ramping up from a long summer recess, searched for a strategy to revive the trade bank after letting its charter expire on June 30.

"This is what happens when Congress sits idly by while thousands of jobs are on the line," said Republican Representative Stephen Fincher, who has led efforts to revive EXIM in the House of Representatives.

The lack of clarity on whether EXIM will ever resume lending has companies scrambling to make alternative plans. "If you're an export credit agency outside the US, you are now in the process of rolling out the red carpet to US manufacturers," GE Vice Chairman John Rice told Reuters. "There are many other companies other than us that are impacted by this."

Boeing Co, EXIM's biggest beneficiary, on Tuesday said it lost a second signed or potential satellite deal as Singapore's Kacific said it would not consider the bid without EXIM guarantees. The aerospace giant said the standoff would influence future workforce decisions.

"US exporters across the country are operating at a significant disadvantage in overseas sales campaigns and are facing tough business decisions because Congress has failed to reauthorize the Ex-Im Bank," said Boeing spokeswoman Gayla Keller.

Other foreign deals expected

GE's Rice said he expects the company to soon announce deals with other foreign export credit agencies. "If EXIM isn't going to happen, or it's going to be a regular fight to be reauthorized, we've got to make other plans," he said.

Conservative Republicans in Congress, led by House Financial Services Committee Chairman Jeb Hensarling, successfully blocked EXIM's renewal and are trying to kill the 81-year-old trade lender for good, charging that it represents "corporate welfare" and puts US taxpayers at risk.

Four House Democrats sent a letter to House Speaker John Boehner reminding him that a majority of House members and 65 senators support EXIM, and urged that a compromise be worked out. But Boehner, mindful of his party's strong conservative faction, has said little about his intentions for EXIM's future, even though he has backed the bank in the past. The Ohio Republican has said that if a renewal bill comes up attached to other legislation, Hensarling would have an opportunity to propose amendments.

House Republican aides said that EXIM supporters may try to attach a renewal to a government spending extension or a transportation bill this autumn. But the spending bill, not yet drafted, already faces complications from efforts by conservative Republicans to use it to deny funding to Planned Parenthood. —Reuters

OECD cuts growth outlook, warns on emerging markets

Erratic data in Japan raise questions over its recovery

PARIS: The OECD cut its world economic growth forecasts for 2015 and 2016 yesterday, warning of a dramatic slowdown in Brazil and a global outlook clouded by uncertainty over China. The policy analysis club of 34 advanced economies had already slashed its forecasts just three months ago because of weak US activity. Now the Organisation for Economic Cooperation and Development is returning to its calculations with an axe, citing in part a crisis gripping emerging markets as China's economic boom, and its voracious appetite for raw materials, slows.

The OECD cut its world growth forecast for this year to 3.0 percent, trimming 0.1 percentage points off its previous estimate made in June. "Global growth prospects have weakened slightly and become less clear in recent months," the OECD said, despite a recovery in advanced economies. "The outlook has worsened further for many emerging market economies." The group issued its new economic outlook on the eve of a US Federal Reserve decision on whether to lift interest rates for the first time in nine years. Analysts say such a tightening could chill global activity. For China, whose slowing economy has prompted deep uncertainty in global financial markets, the OECD cut its 2015 growth forecast by 0.1 percentage points to 6.7 percent. But Brazil's forecasts took the biggest hit, by far, in the latest OECD report.

'Doubts build'

Suffering like other emerging economies from a commodity price crash, engulfed in recession and with its debt downgraded by Standard & Poor's this month to junk bond status, Brazil had its economic outlook for this year downgraded to a 2.8-percent contraction instead of a 0.8-percent contraction. For 2016, the OECD lowered the global growth outlook to 3.6 percent, a reduction of 0.2 percentage points from three months ago. "Some strengthening in growth is expected in 2016 but doubts about future potential growth continue to build," it said.

While the US recovery was now solid, the OECD said the picture worldwide was muddied by "puzzles" in other big economies. "Erratic" data in Japan raised questions over its recovery, the group said. Coincidentally, within an hour of the report's release, Standard & Poor's cut Japan's investment-grade credit rating by one notch, saying the government's strategy to revive growth and end deflation was unlikely to reverse the deterioration in the next two to three years. Meanwhile, the euro area's recovery lacked some vigour and activity in China was "difficult to assess", the OECD said.

Emerging markets risked being hurt by rising world interest rates or a sharper than expected slowdown in China, sparking financial and economic turbulence that could be a "significant drag" on advanced economies, it said.

US rate rise 'warranted'

China faces a challenge trying to sustain growth while changing its economy from an investment-powered model towards one led by consumers, the OECD said. It urged China to focus on social spending to support consumers, rather than debt-financed infrastructure investment. The group supported a rise in US interest rates but said the pace will be critical.

"In the United States, progress on closing output and employment gaps warrants an upward interest rate path, but at a very gradual pace," the OECD said.

"The timing of the first rate hike is of secondary importance compared to the pace of increase. Clear communication of that pace will help to minimise financial market volatility."

The latest report means the OECD has cut its 2015 global growth outlook by a full percentage point from March, when it foresaw a worldwide economic expansion of 4.0 percent. —AFP

BEIJING: People walk past an Omega watch store at Wangfujing, in Beijing on September 4, 2015. Swiss watchmakers are facing turbulent times in one of their top markets, as the already shrinking luxury sales in China are compounded by the recent devaluation of the yuan. —AFP

Tech disruption hangs over automakers at Frankfurt show

Fair hostesses present a Hankook "mind reading tire" displayed during the first press day of the 66th IAA auto show in Frankfurt am Main, western Germany, yesterday. —AFP

A Mercedes-Benz concept car IAA is displayed during the second press day of the 66th IAA auto show in Frankfurt am Main, western Germany, yesterday. —AFP

FRANKFURT: A sense of impending disruption hangs over all the shiny new cars at this year's edition of the Frankfurt International Motor Show.

The potential impact of automated driving and of extensively connected cars has pushed aside electric and low-emission vehicles as the major theme in just the two years since the show was last held.

New technologies could lead to everything from real-time navigating around a slippery stretch of road, to eliminating the need for a home garage by having cars drive themselves to people who summon them through a mobile app.

The big question among automakers is whether they will be the ones to provide new technologies - and profit from them - or will major tech companies like Google and Apple take a slice of the industry. For now, the two sides are balancing cooperation against competition as they gauge what the future holds.

General Motors CEO Mary Barra succinctly expressed a common view, asserting that "we will see more change in the industry in the next five to ten years than we have in the last 50."

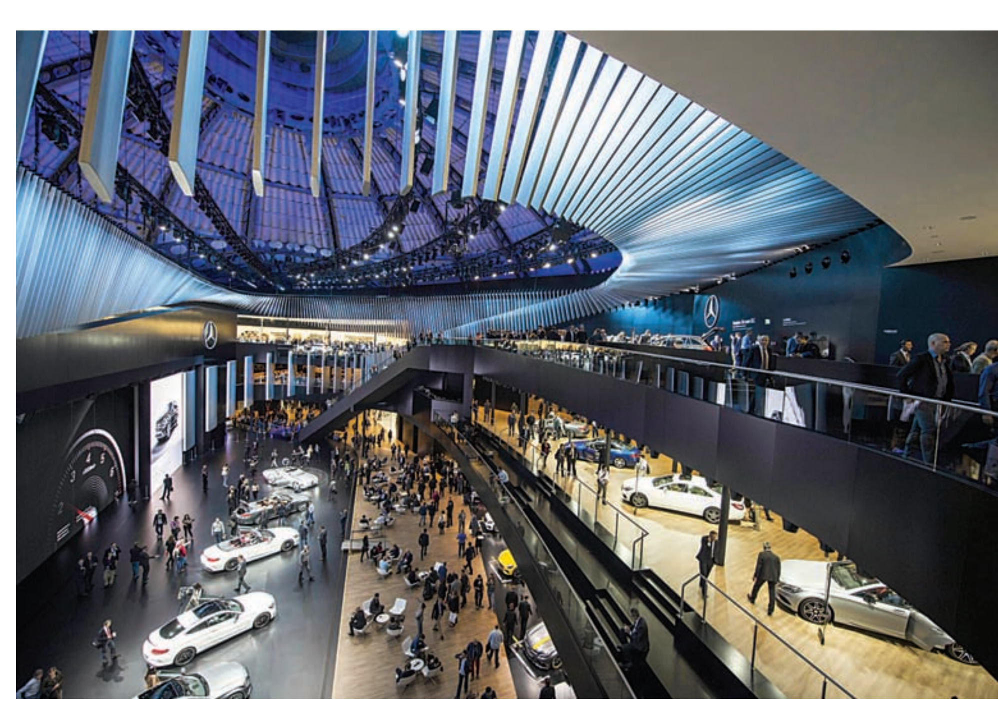
Dieter Zetsche, the head of Daimler AG, described the car and technology companies as being "frenemies." He said Daimler would welcome competition, which he called "the energy source for our economy." What is important, he said, was for Daimler to keep control of customers' data, to not sell it to third parties, and to obey customer wishes on how it is used. That was his company's rationale for joining with Audi and BMW to buy Nokia's HERE mapping service: "To be sure we define the fate of the data being gathered."

If Apple or Google start making cars - something neither has said they intend to do - "then we are competitors." Consultancy McKinsey found expectations of rapid change were widespread in the industry. In a survey of 91 industry executives for a report released Wednesday, it found 90 percent "believe that their organization's business model will change or broaden because of connectivity and autonomous driving."

Switch brands

The company also found that more car customers would be willing to switch brands for better connected services. The number that would do so rose from 20 percent in 2014 to 37 percent this year. The company surveyed over 1,000 recent car customers each in Germany, the US and China. "The fact that within just one year the number of people willing to switch car brands for connectivity has almost doubled shows that connectivity is evolving from a should-have to a must-have" for carmakers.

More and more carmakers support the Android



FRANKFURT: People mill around new cars displayed at the Mercedes Benz hall during the second press day of the 66th IAA auto show in Frankfurt am Main, western Germany, yesterday. —AFP

Auto and Apple CarPlay interfaces that let people use their smartphone apps, such as navigation or messaging, through their car's dashboard screen. Seven automakers had cars with Android Auto on display in Frankfurt: Audi, Hyundai, Mitsubishi, Volkswagen and its SEAT and Skoda brands, and Opel. General Motors has been connecting cars for years through its OnStar remove roadside assistance service, which it extended to its mass-market entrant in Europe.

Google had no stand at the show, but has shaken up the auto industry by testing a self-driving car prototype. Traditional automakers such as Daimler's Mercedes-Benz, GM and Toyota are also working to gradually automate functions in the car until vehicles become fully capable of driving themselves, possibly by 2025.

A key issue is when some automated functions become legal, and in what countries. Some of these technologies - especially for cars that drive themselves - are already appearing on new models, but are held back by legal and safety concerns. BMW's new 7-Series sedan can park itself with the driver standing outside at the press of a remote button. Cars can already warn drivers when they're leaving their lane, or deploy emergency brakes to avoid a rear-end collision.

Daimler CEO Zetsche sketched out a transformative idea: "You could for instance, think about a typical American neighborhood where you would avoid building 100 garages, getting more houses in, and having the cars being parked outside and come on demand," he said. "That is a relatively simple task and could be accomplished certainly within the next five years. ... It depends on the restrictions."

According to Renault-Nissan CEO Carlos Ghosn, autonomous driving might come in stages as more functions become automated and different jurisdictions allow them. He cautioned, however, that someone will always be behind the wheel able to take over.

He also argued that tech companies would be an integral part of the car industry in the future. "We cannot develop this technology on our own." Google's engineering director in charge of Android Auto, Patrick Brady, attended the show for discussions with auto partners and said there was a convergence between the industries.

"We are partnering in so many different ways but there are other places where we are competing, and I think that's healthy," he said. "The consumer ultimately wins." —AP