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BEIJING: Two women walking out of a Starbucks coffee shop in Beijing. US President Donald Trump's tariffs on Chinese goods have roused some nationalist sentiment in the world's second largest economy, where consumers have a long track record of spurning foreign products when political nerves are frayed.— AFP

China's economy slows in first quarter

US trade frictions threatening to further hobble growth

BEIJING: China's economy slowed slightly in the first quarter as the government battles debt and financial risk, with US trade frictions threatening to further hobble growth, analysts surveyed by AFP said. The world's second largest economy is expected to have grown 6.7 percent in the January to March period, down from 6.8 percent in the fourth quarter of last year, according to the poll of 13 economists ahead of the release of official figures tomorrow.

Analysts link the deceleration to Beijing's efforts to rein in the country's massive debt pile and financial hazards, as well as a slowing property market. Fears of a trade war with the US have also roiled markets in recent weeks, with Washington and Beijing exchanging warnings of tit-for-tat tariffs on a significant portion of their bilateral trade. But the tensions-stoked by US President Donald Trump's threat last week to target an additional $100 billion in Chinese goods-have yet to cause real harm to the economy, analysts say.

"The trade tension has not impacted on GDP growth yet ... and the trade data is still robust," said Ligang Liu, chief China economist at Citibank.

"If the tensions continue, China's trade competitiveness may be undermined, weighing on GDP growth," Liu added. Trade data released by Beijing on Friday reinforced that message with China's trade surplus with the US surging by a fifth in the first three months of the year.

There are also signs economic growth could come in above the 6.7 percent forecast by AFP's survey. The figure is above the government's official target of around 6.5 percent for 2018.

"China will release its economic quarterly data which are even better than expected, that shows a good sign for this year," central bank chief Yi Gang said Thursday. "The global outlook continues to improve," Yi said at a Beijing forum on China's massive Belt and Road trade infrastructure initiative.

Govt battles debt and financial risk

Trade worries

President Xi Jinping this week struck a conciliatory note on trade, promising to cut tariffs on cars-a key point of US anger-and other imports, as well as further open up the economy, which drew a warm response from Trump. But China's commerce ministry later reiterated that no negotiations were underway between the two capitals as Washington had not shown enough "sincerity". Trump, however, said "we're having some great discussions", though he showed no sign of backing down on his threat to impose tariffs on a total $150 billion worth of Chinese goods.

The threatened levies would dent economic growth on both sides of the Pacific, analysts say. "The implications of such a wide-ranging tariff war would be significant," wrote economists at Fitch Ratings in a report, adding that gross domestic product in both countries could be pulled down by two percentage points over two years. Only $3 billion in goods have been hit with tariffs in the escalating spat so far, with the US targeting steel and aluminum while China takes aim at pork, wine and other American products.

Financial risk

Along with exports, debt-fuelled investment has driven China's economy over the last decade-but with fears growing over a possible credit crisis, officials in Beijing are stepping up their battle against debt and financial risk. However, analysts say the battle will take a toll on growth.

"China is committed to a serious financial deleveraging over the span of 2018-2020, with a focus to crack down on financial excesses in local governments and state-owned enterprises," said Hao Zhou, an economist at Commerzbank. "The overall economic policy has become less favorable for economic growth." — AFP

Shockwaves as Sorrell quits as CEO of WPP

LONDON: Martin Sorrell's dramatic departure as chief executive of WPP, the world's biggest advertising agency he founded 33 years ago, sent shockwaves through the marketing industry yesterday. Sorrell, 73, stepped down suddenly, 10 days after the British ad giant launched an independent investigation into allegations of personal misconduct through the misuse of company assets.

WPP said the probe had concluded, adding that "the allegation did not involve amounts that are material". He was easily the longest serving chief executive of a company on London's benchmark FTSE 100 share index, having held the position since 1985. The departure of one of Britain's best-known businessmen leaves the advertising giant needing fresh leadership at a testing time for the marketing industry, with social media companies offering brands a direct connection with vast audiences.

Sorrell said in a statement late Saturday that he was sad to leave, with WPP having been his passion and focus for more than three decades. "The current disruption is simply putting too much unnecessary pressure on the business, our over 200,000 people and their 500,000 or so dependents, and the clients we serve in 112 countries," he said.

"That is why I have decided that in your interest, in the interest of our clients, in the interest of all share owners, both big and small, and in the interest of all our other stakeholders, it is best for me to step aside." Sky News television's City editor Mark Kleinman said his resignation was one of the most significant exits of a FTSE 100 company chief executive for many years. "His departure will leave the company he built virtually from scratch facing profound questions about its future direction," he said.

Despite the misconduct investigation, some commentators said it was the fact that the company had lost a third of its value over the past 12 months-in the face of competition from the likes of Google and Facebook-that cost Sorrell his post. Simon Jack, the BBC's business editor, said his legacy as an advertising industry titan was secure. However, "in the end, it was the trends in world business that wrong-footed the sprawling empire he created. "Shareholders were getting restless," he wrote, and Sorrell "had lost the unanimous backing of the board". WPP said Sorrell would be treated as having retired, with chairman Roberto Quarta becoming executive chairman until a new chief executive is appointed. "Sir Martin has been the driving force behind the expansion of WPP to create the global leader in marketing services," said Quarta. "During this time, the company has been successful because it has valued and nurtured outstanding talent at every level." Sorrell denied any wrongdoing after the allegations surfaced earlier this month, but said he understood the company had to investigate.— AFP

Martin Sorrell

Oil, gold to gain on Syrian strikes, Russia in focus

LONDON: Gold and oil will extend their gains today, albeit modestly, when the markets open for the first time since Western powers launched a missile attack on Syria but equities and bonds are unlikely to suffer big losses unless the West strikes again or Russia retaliates. "The newsflow is actually better than what it looked like at one point during last week as the strike was surgical, followed by a pullback. Reports show a lot of care was taken not to hit Russian targets, which is a good sign and the market should take heart from that," said Salman Ahmed, chief investment strategist at Lombard Odier investment managers in London. Gold has benefited in recent days as a safe-haven asset amid a US-China trade dispute and the escalating conflict in Syria, which also pushed oil above $70 per barrel due to concerns about a spike in Middle Eastern tensions.

World stocks wobbled last week but still ended with the best weekly gain in over a month, as investors await potentially healthy US company earnings. Despite heightened geo-political risks, the impact on so-called safe-haven assets has been short-lived and modest - while the yen rose initially on fears of a Syrian strike, it ended near seven-week lows to the dollar last week.

On Saturday, US, French and British missile attacks struck at the heart of Syria's chemical weapons program in retaliation for a suspected poison gas attack a week ago, although the assault appeared unlikely to halt Syrian President Bashar Al-Assad's progress in the seven-year-old civil war.—Reuters