

## Business

# Mid-Atlantic factory activity almost stalls; US weekly jobless claims fall

## Four-week average of claims increases 1,500 to 225,500

**WASHINGTON:** The number of Americans filing applications for unemployment benefits dropped from more than a two-year high last week, pointing to sustained labor market strength. While other data yesterday showed factory activity in the mid-Atlantic region almost stalling this month, manufacturers received more orders, increased shipments and working hours for employees. Their outlook for capital expenditure over the next six months was also upbeat, offering some tentative signs of a turnaround in manufacturing amid an easing in tensions in the 17-month trade war between the United States and China. The trade tensions bruised business confidence and weighed on capital expenditure, leading to a downturn in national manufacturing activity. But dark clouds continue to loom over manufacturing, which accounts for 11 percent of the economy. Boeing announced on Monday it would suspend production of its best-selling 737 MAX jetliner in January as fallout from two fatal crashes of the now-grounded aircraft drags into 2020.

Economists estimated that Boeing's biggest assembly-line halt in more than 20 years, which is expected to wreak havoc on supply chains, could cut first-quarter 2020 gross domestic product growth by at least half a percentage point. Initial claims for state unemployment benefits decreased 18,000 to a seasonally adjusted 234,000 for the week ended Dec. 14, the Labor Department said. Though the drop did not unwind the prior week's jump of 49,000, it likely does not indicate a material shift in labor market conditions as claims data tend to be volatile in the period following the Thanksgiving Day holiday.

## Brazil's debt under control, tax reform next: Economy minister

**BRASILIA:** Brazil's Economy Minister Paulo Guedes said on Wednesday he had reached agreement with Congressional leaders on modernizing the country's complex tax system next year and one option could be taxing online transactions. Brazil has brought its snowballing public debt under control with reform of the costly pension system and spending cuts, he said, while interest rates are at record lows after the central bank cut its benchmark Selic rate to 4.50 percent on Dec. 11.

Speaking to reporters on GloboNews channel, Guedes said foreign financial capital outflows are not a concern and quite normal now that Brazilian interest rates are less attractive.

Servicing Brazil's public debt will cost 100 billion reais (\$24.5 billion) less each year due to lower interest payments, the minister said. The government will speed up the privatization of state companies and boost investment in infrastructure, be it roads, port, railways and

The prior week's surge, which boosted claims to 252,000 - the highest reading since September 2017 - probably reflected a late Thanksgiving Day this year compared to 2018. That could have thrown off the model used by the government to strip out seasonal fluctuations from the data. Economists polled by Reuters had forecast claims would fall to 225,000 in the latest week. They expect claims to remain elevated relative to October's low reading given volatility in the data around the holiday season and end of the year. US stock index futures were trading largely flat after the release of the data. Prices of US Treasuries were mixed while the dollar was flat against a basket of currencies.

### Mixed factory data

The Labor Department said no claims for states were estimated last week. The four-week moving average of initial claims, considered a better measure of labor market trends as it irons out week-to-week volatility, rose 1,500 to 225,500 last week. The underlying trend in claims remains consistent with a strong labor market. Last week's claims data covered the period during which the government surveyed business establishments for the nonfarm payrolls component of December's employment report. The four-week moving average of claims rose 4,250 between the November and December survey periods, suggesting some cooling in job growth. The economy added 266,000 jobs in November, the most in 10 months. The unemployment rate fell back to 3.5 percent, the lowest in nearly half a century. Labor market strength is underpin-

airports, he added, forecasting GDP growth of 2.5 percent next year.

Guedes said Brazil's Congress was backing his reform program and overhaul of the burdensome tax system will advance next with agreement to merge two bills already being debated by lawmakers with the government's proposals. He met earlier with the leaders of both chambers of Congress, Speaker Rodrigo Maia and Senate head Davi Alcolumbre, and they agreed to set up a committee on Thursday that will work to reconcile the different proposals within 90 days.

The government wants to introduce a federal value added tax that would eventually be adopted by states and town councils.

Guedes said resurrection of the unpopular tax on financial transactions known as CPMF was out of the question and strongly opposed by President Jair Bolsonaro. Instead, a tax on digital transactions is being studied, Guedes said, but he gave no details. Treasury Secretary Mansueto Almeida, speaking alongside Guedes at a news conference, said he expects Brazil to be upgraded by credit rating agencies next year due to the improving debt situation. With low interest rates, early repayment to the Treasury of transfers to development bank BNDES and the proceeds from the sale of state companies, Brazil's gross public debt will end this year at about 77.2 percent of gross domestic product, he said. —Reuters



**WASHINGTON:** After months of pumping out new jobs at a steady clip, the US added only 98,000 net new positions, the Labor Department reported — a figure far below analyst expectations. —AFP

ning consumer spending, keeping the economy on a moderate growth path despite headwinds from the trade tensions and slowing global growth.

In a separate report yesterday, the Philadelphia Federal Reserve said its business conditions index dropped to a reading of 0.3 in December from 10.4 in November. But there were increases in

measures of new orders, unfilled orders, factory hours and shipments. The Philadelphia Fed survey's six-month business conditions index slipped to a reading of 35.2 this month from 35.8 in November. Its six-month capital expenditures index jumped to 27.6 from a reading of 19.4 in the prior month. —Reuters

## Sri Lanka's Q3 GDP grows 2.7% as Easter attacks weigh

**COLOMBO:** Sri Lanka's economy grew 2.7 percent in the third quarter of 2019, showing signs of recovery from the Easter Sunday attacks earlier this year on the island nation that killed over 250 people and crippled the country's fastest-growing tourism sector.

The country's services sector, accounting for about 60 percent of the economy, grew at 2.8 percent, compared with 4.3 percent last year, data issued by the statistics department showed on Wednesday.

Accommodation, food and beverage service activities fell 7.5 percent in the September quarter, compared with the same period a year ago. Separately, Fitch Ratings said it had revised the outlook

on Sri Lanka's long-term foreign-currency issuer default rating (IDR) to "negative" from "stable", while maintaining the IDR at 'B'.

"Revision of the Outlook to Negative from Stable reflects rising risks to debt sustainability from a significant shift in fiscal policy and the potential for roll-back of fiscal and economic reforms in the aftermath of November's Presidential elections," the ratings agency said.

Last month, Sri Lanka's former civil wartime defence chief Gotabaya Rajapaksa won the presidential election, after promising to secure the country against militant threats following Easter bombings.

The Easter attacks on luxury hotels and churches on April 21, for which Islamist militants claimed responsibility, killed over 250 people. Fitch said it expects growth to pick up to 3.5 percent in 2020 and 3.7 percent in 2021, from 2.8 percent in 2019.

"These forecasts reflect our expectation of a boost to growth in the short-term from the tax cuts, higher agricultural output and an ongoing recovery in tourism following last April's terrorist bombings," it added. —Reuters