Huffington Post founder leaves

Arianna Huffington

WASHINGTON: Arianna Huffington, founder of the online Huffington Post news site that has become a global phenomenon, announced yesterday she was stepping down to launch a non-profit group focused on health and wellness. Greek-born Huffington, who launched her original American website in 2005 and sold it to Internet giant AOL in 2011, said the new venture called Thrive Global aims "to change the way we work and live by ending the collective delusion that burnout is a necessary price for success."

She said she would be stepping down as editor-in-chief of the Huffington Post, which now operates in 10 languages and has a user base of over 200 million. She noted that she decided to leave the online news organization because "I simply couldn't do justice to both companies." "I'm filled with excitement at the prospect of devoting the rest of my life to accelerating the culture shift away from merely surviving and succeeding to thriving," she said, Thrive, which has received funding led by Lerer Hippeau Ventures as well as other groups and individuals including NBA star Andre Iguodala and entrepreneur and philanthropist Sean Parker, is to launch after the US election in November. — AFP

Q&A: What record low interest rates mean for savers, economy

FRANKFURT: Record low interest rates were meant to be a temporary response to the global financial crisis. But eight years later, rates are still near zero or even below in much of the developed world, and some experts are warning of long-term side effects: a hit to pension savings, pressure on banks, and possible booms and busts in stock markets and real estate. In any case, low rates are increasingly just part of the economic landscape. Some economists argue that people may have to get used to living in a zero-interest world for a lot longer than they expected, or at least one with rates far lower than those in recent decades. Here's a look at how we got here and what ultra-low interest rates means for people.

Q: How did interest rates get so low?

A: Rates on things like mortgages or company or government bonds are guided by market demand and by official interest rates set by central banks. They have cut their benchmarks aggressively, starting eight years ago. The Federal Reserve lowered its short-term benchmark - which determines the cost of overnight lending between banks - to between zero and 0.25 percent in December 2008. The European Central Bank reached zero in March on its benchmark rate, and minus 0.4 percent on bank deposits. Last week, the Bank of England cut its benchmark rate to 0.25 percent and indicated it could bring it closer to zero. The Bank of Japan applies a minus 0.1 percent rate on new bank reserves.

To further drive down market interest rates, central banks have also bought hundreds of billions in bonds, which lowers the bonds' interest rate yield. Things have gone so far that German 10-year bonds yield slightly less than zero, meaning the government would make a small profit by borrowing money for an entire decade.

Q: Why did central banks cut rates so much?

A: The idea is to stimulate economic growth and job creation by cutting borrowing costs for businesses and consumers, making it easier to buy things and invest in new production. They lower returns on ultra-safe investment and push people toward riskier but potentially more profitable ones, such as stocks bonds and real estate. The idea is "to get people to take risks that they weren't taking before," said Stephen G Cecchetti, professor of international economics at the Brandeis International Business School. "And when you get them to do that, what happens is that it drives up growth, employment, and prices, and that's a good thing."

Q: What is the downside to low rates?

A: Some experts warn they can encourage investors looking for higher returns to bid up too much the price of riskier investments. That can lead to a "bubble" in that market that is at some point followed by a crash. Economists at Germany's Commerzbank warned house prices in Germany "look increasingly like a bubble." Sweden's central bank has warned that house prices have risen too fast and consumers have too much debt. — AP

HANOVER: In this July 10, 2015, file photo, shoppers walk into a Macy's department store at the Hanover Mall. — AP

Macy's to close 100 stores, boost online investment

NEW YORK: Macy's said yesterday it plans to close about 100 stores next year and boost its online investments as the nation's largest department store chain tries to become more nimble in an increasingly fierce market. The closures represent close to 14 percent of its stores under the Macy's brand. The company, which operates the upscale Bloomingdale's stores as well, said it would increase its exclusive products and would prioritize its investments in the stores that offer the highest growth potential.

Macy's also reported yesterday that second-quarter profits and sales fell. The results, however, beat Wall Street estimates, and its shares rose more than 14 percent, or $4.95 to $38.95 in early trading. "The announcements we are making today represent an advancement in our thinking on the role of the stores, the quality of the shopping experience we will deliver, and how and where we reinvest in our business for growth," said Macy's President Jeff Gennette, who will succeed Terry J. Lundgren as CEO in the first quarter of 2017.

Macy's had been a stellar performer since the Great Recession, but in the past year and a half, the company has seen slowing sales as it battles competition on all fronts and changing shopping patterns. People are spending more of their money on home improvement as well as experiences like travel or spas. And when they do buy clothing, they're going to TJ Maxx or fast-fashion chains like H&M. They're also increasingly researching and buying online, and gravitating toward Amazon.com, which is bolstering its store private label fashion brands. Amazon.com is by some forecasts expected to surpass Macy's as the largest online seller of clothing next year.

Looking for opportunities

Under Lundgren, Macy's hasn't been sitting still and has been looking for opportunities to boost sales, from buying upscale beauty brand Bluemercury to launching its own off-price stores called Macy's Backstage. But since this past May, it announced it has to accelerate its efforts to get shoppers excited. It planned to look for new ways to cut expenses and use that money for more sales help at the stores and online. And it's expanding its offerings on exclusive launches including one backed by Sir Elton John and Lady Gaga. With the store closures, Macy's will have 666 stores including 38 Bloomingdale's locations. That's down about 23 percent from a peak in January 2007 of 868 stores including Bloomingdale's. Annual net sales at the stores Macy's plans to shutter were estimated at about $1 billion. Many of the stores will close in early 2017, with the balance closing as leases or other agreements expire or are amended. Macy's said it earned $11 million, or 3 cents per share, in the quarter ended July 30. That compares with $217 million, or 64 cents per share, in the year-ago period. Excluding charges that are related to store closings, the company earned 51 cents, which is above the 48 cent estimate from FactSet.

While Macy's earnings beat Wall Street expectations, it still has a long way to go to see business perk up. Revenue fell 3.9 percent to $5.87 billion. That topped the $5.77 billion estimate from FactSet. Revenue at stores open at least a year, including licensed businesses like beauty, were down 2 percent in the second quarter. Excluding licensed departments, sales were down 2.6 percent. That's the sixth straight decline for that measure. The company said it was sticking to its outlook. Macy's had said in May that it expects revenue at stores, including business from licensed departments, open at least a year to be down 3 percent to 4 percent. Macy's also said it still expects earnings to be in the range of $3.15 to $3.40 for the year. — AP