

US LABOR MARKET FIRING; INFLATION REMAINS BENIGN

WASHINGTON: The number of Americans filing for unemployment benefits fell last week, pointing to sustained labor market strength in early August that could help spur faster economic growth. Other data yesterday showed an unexpected rise in import prices in July as a drop in petroleum prices was offset by gains in the cost of other goods. However, renewed dollar strength will likely dampen underlying inflation in the coming months.

Initial claims for state unemployment benefits slipped 1,000 to a seasonally adjusted 266,000 for the week ended Aug. 6, the Labor Department said. Claims for the prior week were revised to show 2,000 fewer applications received than previously reported. Claims have now been below 300,000, a threshold associated with a strong labor market, for 75 consecutive weeks, the longest streak since 1973. The four week average of claims, considered to be a better measure of labor market trends as it irons out week-to-week volatility, rose 3,000 to 262,750.

With the labor market perceived to be either at or approaching full employment, there is probably little room for further declines in claims. A report on Wednesday showed layoffs fell to a near two-year low in June. Prices of US Treasuries were largely unchanged by the data. US stock futures were trading slightly higher. The US dollar rose against a basket of currencies. In a separate report, the Labor Department said import prices edged up 0.1 percent last month after increasing 0.6 percent in June. Economists polled by Reuters had forecast import prices falling 0.3 percent in July.

In the 12 months through July, import prices fell 3.7 percent, the smallest decrease since November 2014, after declining 4.7 percent in June. Last month's gain came despite a rise in the dollar against the currencies of the United States' main trading partners in July. The dollar lost some steam early in the year. Oil prices which had started to rise toward \$50 per barrel, fell in July. Oil prices are now below \$45 per barrel. The combination of dollar strength and cheap oil will likely continue to dampen imported inflation pressures and keep overall inflation below the Federal Reserve's 2 percent target.

Persistently low inflation suggests the US central bank is unlikely to raise interest rates in the near term, even as the labor market approaches full employment. The robust labor market is boosting consumer spending and putting a floor under the economy after an inventory correction and lower oil prices restricted GDP growth to an average 1.0 percent annualized rate in the last three quarters. The economy added a total of 547,000 jobs in June and July. The low number of claims suggests job growth momentum was retained in early August. — Reuters

GOLD EASES AS FIRM DOLLAR PROMPTS INVESTOR CASH IN

LONDON: Gold edged lower yesterday as a recovery in the dollar prompted some buyers to cash in recent gains, though uncertainty over the outlook for US monetary policy continued to underpin the metal. Palladium also edged lower, after surging more than 4 percent in the previous session in a rally triggered by a wave of short-covering after recent hefty gains. The metal has run into some resistance around last month's high of \$722 an ounce.

Spot gold was down 0.1 percent at \$1,345.06 an ounce at 1230 GMT, after rising around 0.8 percent over the last two days. US gold futures for December delivery were down 60 cents at \$1,351.30 an ounce. "There's potentially profit taking at play in gold and from even stronger gains elsewhere such as palladium, particularly after it ran so hard yesterday," ETF Securities' commodity strategist Martin Arnold said. "There was no fundamental reason for platinum and palladium to be up that much, as there was a little liquidity. A little bit of a pullback is in order after some over exuberance." Palladium hit a more than 17-month high on Wednesday at \$746.10 an ounce, and was down 0.7 percent yesterday at \$719.15 an ounce.

The dollar index rebounded against a basket of major currencies after touching a near one-week low Wednesday. Currency markets remain focused on whether the Federal Reserve will press ahead with interest rate hikes this year, after raising rates for the first time in nearly a decade in December. Investors expect the Fed, supported by positive economic data, to lift rates again in December, but other countries are increasingly looking to raise stimulus. The Reserve Bank of New Zealand cut rates yesterday. —Reuters



HAVANA: Fiat Polski 126p, owners Raul Seoane, left, Ramses Fernandez, second left, Evilio Aguilar, center, Rigoberto Mesa, second right, and Pedro Fernandez, proudly pose with their cars. — AP

TINY POLISH CAR CATCHES A WAVE IN AUTO-CRAZY CUBA

HAVANA: Ramses Fernandez's most cherished possession is barely larger than a refrigerator, with the legroom of an economy airplane seat and a little more horsepower than a riding lawnmower. "That's my second baby," said Fernandez, smiling proudly at the 39-year-old automobile purchased about the time his 10-month-old son was born. "My wife says that car is my child." A humble two-cylinder Polish-made hatchback, the Fiat 126p was forgotten by most people after the fall of the Berlin Wall. Decades later, the car lovingly known as the Polski is basking in a Cuban revival. Buses and taxis are in short supply as Cuba struggles with cutbacks in subsidized oil from Venezuela. The average salary is about \$25 a month, but government-controlled car and gasoline prices are among the highest in the world. With around just 24 horsepower, depending on exactly how each one has been altered, the half-ton Polski offers families a shot at independent mobility for a few thousand dollars, a sum within reach of those able to save from private jobs or family sending money from overseas.

So the self-taught mechanics who've kept Cuba's famed American sedans running for decades are turning their talents to this automotive artifact from the Cold War, equipping Polskis with stronger suspensions, more powerful motors, even high-end sound systems and upholstery. "2016 has been the year of the Fiat Polski 126p," said Hendy Coba, president of Friends of the Car, an officially sanctioned Havana car owners club.

'People love my car'

An estimated 10,000 Polskis are registered in Cuba, according to aficionados. Although many are out of service, thousands of others buzz along Cuban roads, literally overshadowed by the 1950s

American behemoths known as almen-drones, and even by the rattling Ladas and Moskovitches imported from the Soviet Union. Fernandez, an auto mechanic, said he sold his motorcycle around the time of his son's birth and bought his Polski with the proceeds, about \$5,000.

He's equipped it with disc brakes, new tires, an upgraded gearbox and a water-cooled engine nearly twice as powerful as the one it came with. The normally air-cooled Polski is so prone to overheating in Cuba that many owners drive around with the rear hatch open in an attempt to suck hot air away from the engine. Fernandez's closed hatch, and his car's relative nimbleness, makes him the object of constant

admiring comments from other drivers at red lights. "People love my car," he said. "Everybody says, 'What a beautiful vehicle!'" Raul Seoane's family saved years of remittances from relatives working in Spain and spent \$2,000 for a well-worn red Polski manufactured in 1986.

Seoane, a 32-year-old computer technician, said the family mainly uses the car to run errands, get to work and take older relatives to doctors' appointments. He's been surprised by the number of tourists who ask to pose with the family vehicle. "Foreigners take photos as if they've never seen something like this," he said. "For being an economical car, the Polski has really caught on." — AP

GREECE ANNOUNCES SHORTLIST IN CONTROVERSIAL TV SHAKEUP

ATHENS: Greece yesterday announced a shortlist of nine private TV channels in a controversial state licensing tender that has seen the leftist government accused of political bias. The list does not include the country's formerly top station Mega, which has a long-running feud with Prime Minister Alexis Tsipras. Private Greek TV stations have been operating under provisional licenses, in some cases for over two decades.

Pointing to dwindling advertising revenue in crisis-hit Greece, the government has decided to grant just four 10-year licenses, with opening bids starting at three million euros (\$3.3 million). The bidding process is expected to take place later this month. Authorities say they want to clean up an industry known for workforce exploitation and rumored under-the-table deals between

media moguls, bankers and influential politicians, while bringing an end to 25 years of chaotic licensing.

The government insists only "financially sustainable" channels should be allowed to broadcast, with several struggling stations reportedly owing large sums to both banks and state coffers. But critics say the overhaul is merely a ploy by Tsipras to replace powerful TV barons—who have opposed his leftist Syriza party in the past—with others more to his liking. In its coverage, Mega has strongly criticized Tsipras' anti-austerity rhetoric which nearly saw Greece pushed out of the euro last year.

The station has also been in financial difficulty for months and has fallen behind with wage payments. Staff have responded with recurring strikes and legal action. —AFP