G20 nations urged to boost growth

Central bank chiefs, finance ministers meet in Chengdu

CHENGDU: The world's leading economies must do more to boost slowing global growth, the International Monetary Fund and Washington urged as G20 finance ministers gathered yesterday, with Britain's vote to leave the European Union threatening more disruption. Central bank chiefs and finance ministers from the world's top 20 economies met in the southwestern Chinese city of Chengdu, and US Treasury Secretary Jacob Lew told journalists it was "a time of continuing uncertainty in the global economic outlook". "When you look at the political developments around the world, most recently the referendum in the United Kingdom, it really reinforces the importance of concentrating on shared growth," he said.

Britain's new finance minister Philip Hammond yesterday met his German counterpart Wolfgang Schaeuble for the first time, and held talks with Chinese central bank chief Zhou Xiaochuan. "In Chengdu for G20 - will be reassuring world that Britain is open for business & will continue to be a competitive open trading nation," he tweeted. According to a draft communique the G20 will seek to stress the impact of Brexit can be tackled, Bloomberg News reported. "Members of the G20 are well positioned to proactively address the potential economic and financial consequences stemming from the UK referendum," it quoted the draft document as saying.

CHENGDU: Japan's Deputy Prime Minister Taro Aso (left) and United States Secretary of the Treasury Jacob Lew attend a panel for the High-level Tax Symposium held in Chengdu in Southwestern China's Sichuan province yesterday. — AP

CHENGDU: Christine Lagarde, the head of the International Monetary Fund gestures towards Pietro Carlo Padoan, Italy's Minister of Economy and Finance during the High-level Tax Symposium held in Chengdu in Southwestern China's Sichuan province yesterday. — AP

'Urgent need'

Just ahead of the meeting, the IMF called on key G20 nations to boost government spending. "Global growth remains weak, and downside risks have become more salient," the Washington-based lender said in a report. "Growth could be even lower if the current increases in economic and political uncertainty in the wake of the 'Brexit' vote continue." In its most recent forecast, the IMF lowered its forecasts for global growth this year and next by 0.1 percent, to 3.1 percent and 3.4 percent respectively.

The IMF wants advanced economies such as Germany and the United States to channel more public spending into infrastructure investment to help boost growth, an issue that has sparked divisions among G20 members. "There is an urgent need for G20 countries to step up their efforts to turn growth around," it said. But Berlin, in particular, has a long history of fiscal rigour and argues that government spending is ineffective at boosting growth, while monetary moves such as ultra-low interest rates and a flood of liquidity and credit are counter-productive. Ahead of the G20 gathering, a German ministerial source told reporters that the use of government stimulus would not be one of the meeting's main themes. But French finance minister Michel Sapin told AFP that as well as monetary policy, which could not "do everything", fiscal policy should be used "as much as possible". "Different countries are in different situations," he said, and governments that had room to support investment should do so, "even if one country or another disagrees".

Terrorism, Turkey, Trump

Other challenges loom besides Brexit, including what one official at the G20 referred to as the "Three Ts"-terrorism, Turkey and Trump. The recent attack in the French city of Nice which killed 84 people, the third major incident in the European country over the past 18 months, has rattled financial markets, and a gunman in the German city of Munich killed nine people on Friday.

A failed coup in Turkey which had aimed at unseating President Recep Tayyip Erdogan, and his huge subsequent crackdown on opponents, has alarmed Ankara's Western allies. Turkey's Deputy Prime Minister Mehmet Simsek sought to reassure his colleagues. "Despite what has happened a week ago in Turkey... we will continue to strongly adhere to democratic principles and apply rule of law, and not much really has changed," he said. The US presidential election, in which tycoon Donald Trump has sealed the Republican party nomination and will face Democrat Hillary Clinton, could add uncertainty if the contest is close.

After Brexit, UK economy shrinking at fastest pace

LONDON: Britain's economy is shrinking at its steepest pace since the global financial crisis in early 2009 as a result of the vote to leave the European Union, a survey indicated yesterday. The so-called purchasing managers' index, a gauge of business activity conducted by IHS Markit, fell to 47.7 points in July from 52.4 in June. The figures are on a 100-point scale, with the 50 threshold separating growth from contraction.

The survey is one of the first official measures of how the economy responded to the vote, and is based on questionnaires sent to executives in over 600 companies between July 12 and 21. "July saw a dramatic deterioration in the economy, with business activity slumping at the fastest rate since the height of the global financial crisis in early-2009," said Chris Williamson, chief economist at Markit. "The downturn, whether manifesting itself in order book cancellations, a lack of new orders or the postponement or halting of projects, was most commonly attributed in one way or another to 'Brexit.'"

A departure from the EU could mean companies based in Britain are cut off from the bloc's single market, which guarantees no tariffs on trade and the free movement of workers and money. The uncertainty over Britain's trade relations, which will take years to renegotiate, is causing companies to hold back investment and hiring or even to make cuts.

The weeks of political uncertainty, with the Prime Minister resigning after the vote and the main parties in disarray, also hurt confidence. The Markit survey found that both business output and new orders fell in July for the first time since the end of 2012. Their drop from the previous month was the steepest in the survey's history. The measure of service providers' optimism about the coming 12 months slumped to a seven-and-a-half year low. Manufacturers reported job cuts. The report noted there wasn't an increase in business costs, which some are fearing as the plunge in the pound since the vote will make fuel, raw materials and imports more expensive. Those rises were offset in part by subdued wage inflation. Michael Hewson, analyst at CMC Markets, said the survey findings were worse than expected. "The big and important question now is whether this slowdown heralds a more permanent economic condition, or whether in the final days of July, we get a pickup in activity now that we have a more stable political environment and the Brexit fog has started to clear a little."

Britain's new Treasury chief, Philip Hammond, said he would be prepared to use the next budget update, called the Autumn Statement, to help the economy in the event of a downturn. "We will have the opportunity with our Autumn Statements ... to reset fiscal policy if we deem it necessary to do so in light of the data that will emerge over the coming months," he said on a visit to Beijing ahead of a meeting of G-20 finance ministers in Chengdu.

The findings will cement expectations that the Bank of England will provide more monetary stimulus to the economy at its next meeting in August, experts say. The pound sharply fell on the prospect, to $1.3090 from $1.3280 earlier in the day. The equivalent survey for the 19-country euro-zone showed the currency bloc was resilient in the face of the uncertainties unleashed by UK vote. Markit's index for the euro-zone dropped to 52.9 points from 53.1 in June. While that was an 18 month low, the drop was relatively small and suggested continued economic growth of around 1.5 percent annually.— AP

Boom times for US airlines

$3.9 billion in 2Q profits

FORT WORTH: Compared with their checkered track record, major airlines are enjoying boom times. Planes are full, and jet fuel is still much cheaper than it was last year. The four biggest US carriers just reported a collective second-quarter profit of $3.9 billion. And yet investors seem to be looking past the bottom line. They have become obsessed with fare prices - falling now for more than a year - that may foreshadow thinner profits in the future.

When the airlines held calls this month to discuss their second-quarter operations, investors pressed them to reduce flights and the supply of seats in order to drive up fares. They cheered when Delta Air Lines Inc. and United Continental Holdings Inc. said that they would trim growth plans in the fourth quarter - sending shares of both higher. And they hammered shares of Southwest Airlines Co, which announced no such pullback - and showed "no sense of urgency," according to Wolfe Research analyst Hunter Keay. Shares plunged 11 percent, although a massive Southwest technology outage that stranded tens of thousands of its passengers the day before earnings came out may be partly to blame.

On Friday, American Airlines Group Inc. became the last of the big four to report results. American, the world's biggest airline, earned $950 million in the second quarter, beating Wall Street expectations. Still, profit fell 44 percent from a year ago (partly due to a tax provision), revenue per mile slipped by more than 6 percent on lower average fares, and American said that figure will fall again in the third quarter - even if by a smaller percentage. "It's difficult to believe we'd ever be excited" about American's forecast of 4.5 percent to 6.5 percent lower revenue per mile, but "we'll take it," said JP Morgan analyst Jamie Baker. For the second quarter, American said that, excluding one-time costs, it earned $1.77 per share. That easily beat the expected per-share earnings of $1.68 coming from analysts, according to a poll by FactSet. Revenue fell 4 percent to $10.36 billion, but that also edged out Wall Street expectations for $10.32 billion. American's shares rose $1.40, or 4 percent, to close Friday at $36.36. The airlines will face more pressure for measured growth (nobody is talking about shrinking yet) if revenue trends don't improve this year. Right now even business travelers, considered less stingy than vacationers, are enjoying a relative bargain. All airlines said pricing was weak for tickets bought on short notice - often by corporate travelers. "Corporate demand is strong," American's president, Scott Kirby, said on a conference call, "but we have a lot of low fares, so they are getting a deal right now." Kirby said American will boost revenue by at least $1 billion a year once it starts offering both a bare-bones fare to compete with discounters like Spirit Airlines, and a "premium economy" ticket for people wanting a better seat.

LOS ANGELES: Travelers inquire about their flights at a Southwest counter at Los Angeles International Airport in Los Angeles, California.— AFP

The company is also deferring costs, delaying the delivery of 22 Airbus planes. For the four biggest US airlines, second-quarter profit and third-quarter forecast of lower revenue for every seat flown one mile: American: 2Q net income $950 million; 3Q revenue per mile down 4.5 percent-6.5 percent. Delta: 2Q net income $1.55 billion; 3Q revenue per mile down 4 percent-6 percent. United: 2Q net income $588 million; 3Q revenue per mile down 5.5 percent-7.5 percent. Southwest: 2Q net income $820 million; 3Q revenue per mile down 3 percent-4 percent.— AP

KIB provides its customers with banking security tips

KUWAIT: As KIB is keen on providing the highest level of safety, security and protection for its customers, holders of different bank cards, from fraud and deception during their travel in summer holidays, Basil Adeeb Al Suwaidan, Head of Information Security, issued certain security tips, precautionary measures and guidelines that KIB customers should follow in order not to become victims of fraud and deception, which usually increases during holiday seasons, especially when customers are shopping, or accessing their online banking accounts or withdrawing from ATMs outside Kuwait.

Al Suwaidan stressed that before traveling, customers should check the validity of their credit cards, in order to ensure their activation when being abroad. Customers should also ensure that the card's pins are not written anywhere, and shall call "Al Dawli Weyak" in case the card is missing, whether lost or stolen to enable the bank to inactivate it immediately and take precautionary measures to protect customer's funds and savings.

Al Suwaidan also listed another group of procedures to be followed bythe customers, such as using ATMs that are in well-known and public areas in case of bank's ATMs are not available. He also called upon customers to ensure that no unfamiliar devices are connected to such ATMs. Customers should also ensure that no individuals are observing/shoulder surfing them while withdrawing from ATMs or making payments through POS aiming at getting customers' cards information. In addition, customers should not ask for help from any stranger with the withdrawal process. On the other hand, Al Suwaidan advised not to use public Wi-Fi or PCs usually made available at airports, cafes and hotels, particularly when accessing to your bank accounts or making online payments. He also urged customers to check the transactions carried out on their accounts and to consider changing passwords and card pins on a regular basis. Al Suwaidan called upon Al Dawali customers to follow up these instructions to ensure their comfort and the safety and security of their money at the same time.

He also recommended that customers should contact the Call Center (Al Dawli Weyak) available 24 hours a day on (1866866) or +96522957300 have they encountered any issue concerning their cards or financial transactions. He stressed that the banking security awareness for the customers is on the top of the bank's priorities, particularly with the development of financial fraud and the organized electronic financial crimes. He also reiterated that the bank's management has been always keen on providing high quality banking solutions, while applying the highest security and protection standards on its banking systems.

Another creep higher sends S&P to a record high, again

NEW YORK: Another day, another lazy drift higher for stocks and another record high. The Standard & Poor's 500 index rose 9.86 points, or 0.5 percent, to 2,175.03 on Friday. It surpassed its prior record set by 0.09 percent, the latest nudge higher for a market that has taken a decidedly slow-and-steady path to all-time highs in recent weeks. Telecom and utility stocks led the way, as they have for much of this year.

The Dow Jones industrial average rose 53.62 points, or 0.3 percent, to 18,570.85. The Nasdaq composite rose 26.26, or 0.5 percent, to 5,100.16. The gains sent all three indexes to their fourth consecutive winning week, their longest streak since March. Many doubts still hang over the market, including the continued drop for corporate earnings and a US economy that is growing only modestly. But various earnings and economic reports have come in better than expected, and the S&P 500 is up nearly 9 percent since June 27.

Southwestern Energy had the biggest gain in the S&P 500 following its own better-than-expected earnings report. It lost money in the latest quarter, but less than analysts estimated. The producer of natural gas and oil also raised its forecast for production this year, and its stock jumped $1.26, or 9.5 percent, to $14.47. American Airlines Group likewise rose despite reporting a drop in earnings. It climbed $1.40, or 4 percent, to $36.36 after reporting better results than analysts expected.

The telecom and utilities sectors each rose 1.3 percent to lead the market. They have been at the forefront of the market's rise this year because they pay some of the biggest dividends, and investors are scrounging for income given the low interest rates paid by bonds. The yield on the 10-year Treasury note held steady at 1.56 percent, while the yield on the 30-year Treasury bond ticked down to 2.28 percent from 2.29 percent late Thursday.

Honeywell International fell $3.05, or 2.6 percent, to $115.61. The company reported stronger earnings than analyst expected, but it also lowered its forecast for full-year sales. It helped hold the industrial sector to the weakest gains of the day among the 10 sectors that make up the S&P 500, up 0.1 percent. Fridays' gains were the latest in a steady march higher for stocks. The S&P 500 has not had a day where it moved by 1 percent, up or down, in the last two weeks. It's a sharp turnaround from the end of June, when worries about the United Kingdom's vote to leave the European Union sent the S&P 500 to six straight days where it swung at least 1 percent.

The biggest loss for the S&P 500 over that span was Thursday's drop of 0.4 percent. And investors quickly snapped up stocks the following day. "I think people are a little more sensitized, where any tick lower in the market creates this 'buy-on-the-dip' mentality," said Brian Jacobsen, chief portfolio strategist at Wells Fargo Funds Management. "I think it's interesting; a half-a-percent move down feels like a 5 percent move."

Next week could be more exciting. The Bank of Japan and Federal Reserve both hold policy meetings. Record-low interest rates and big stimulus programs from central banks have pushed stocks higher since the financial crisis. Japan's economy is barely growing. Economists are speculating about whether its central bank may push more stimulus next week. The US economy is in better shape than other advanced economies, and few expect the Federal Reserve to make a big move at its meeting. But if it highlights the better-than-expected recent economic reports, economists may move up their predictions for when the Fed could next raise interest rates.

The Fed pulled rates off their record low in December but has held pat since then. European stock markets were mixed. Germany's DAX index dipped 0.1 percent, France's CAC 40 index rose 0.1 percent and Britain's FTSE 100 rose 0.5 percent. Japan's Nikkei 225 index fell 1.1 percent, Hong Kong's Hang Seng dipped 0.2 percent and South Korea's Kospi index lost 0.1 percent. The price of US crude fell 56 cents, or 1.2 percent to settle at $44.19 a barrel. Brent crude, the global benchmark, fell 51 cents, or 1.1 percent, to $45.69 a barrel in London. Wholesale gasoline rose 1 cent to $1.36 a gallon, heating oil fell 1 cent to $1.36 a gallon and natural gas rose 9 cents to $2.78 per 1,000 cubic feet. Precious and industrial metals prices ended lower. Gold fell $7.60 to $1,323.40 an ounce, silver fell 13 cents to $19.69 an ounce and copper lost 2 cents to close at $2.24 a pound. The pound sank against the dollar on expectations for more stimulus from the Bank of England. It fell to $1.3093 from $1.3203. The dollar ticked up to 106.17 Japanese yen from 105.86 yen, and the euro dipped to $1.0961 from $1.1013.—AP