

## BOEING TIPS CHINA TO NEED \$1.1 TN PLANES OVER NEXT 20 YEARS

**BEIJING:** Boeing says China will need more than a trillion dollars-worth of new airplanes over the next two decades as the cash-rich middle class grows and infrastructure projects pick up. The US aircraft giant also outlined plans to open its first factory in the country as it looks to reinforce its position in the face of competition from European rival Airbus. In its annual forecast Wednesday, Boeing predicted China would need 7,240 new commercial jets by 2036 with a market value of nearly \$1.1 trillion, adding almost a fifth of all global orders would come from Chinese companies.

"China's strong economy, the growing middle class and the significant investment in infrastructure support our long-term outlook" with the proliferation of secondary airports expected to add to this growth, said Randy Tinseth, Boeing's vice-president of marketing. The firm last year predicted China would order 6,810 planes in the next two decades and cited an improving economy, expansion of local airlines and a recovering cargo market for its increased outlook.

Air traffic in China has increased as new low-cost carriers pop up and Boeing expects the middle class to double in ten years to reach 600 million people. This prosperous group, who want to travel to increasingly long-haul destinations, are predicted to fuel a rise in sales of high-capacity planes. But the single-aisle jets used for regional flights are forecast to stay at the heart of the China's demand for new planes, comprising an estimated 75 percent of orders. —AFP

## PRIME REAL ESTATE: AMAZON LOOKS FOR 2ND HEADQUARTERS

**NEW YORK:** Amazon is on the hunt for a second home. The e-commerce giant said yesterday that it will spend more than \$5 billion to build another headquarters in North America. Amazon will stay put in its sprawling Seattle headquarters, and the new space will be "a full equal" with as many as 50,000 jobs, said founder and CEO Jeff Bezos. The announcement is certain to create a scramble among cities and states vying to make the short list.

Cities have until next month to apply through a special website, and the company said it will make a final decision next year. It gave few hints about where it would land, but did say it is looking at metropolitan areas with populations of more than a million that have the potential to attract top technical talent. Amazon is growing rapidly: In just the last month it announced plans to build three new warehouses in Oregon, New York and Ohio, to pack and ship packages.

And it recently paid close to \$14 billion to buy organic grocer Whole Foods and its more than 465 stores. The company plans to hire 100,000 people by the middle of next year. There are 24 restaurants and cafes within Amazon's Seattle campus alone, where more than 40,000 people are employed. The increase in personal income around the Seattle headquarters for people not employed by Amazon increased by about \$17 billion due to direct investments, according to the company. —AP



**NEW YORK:** In this file photo, the Amazon logo is displayed at the Nasdaq MarketSite, in New York's Times Square. —AP



**HONGKONG:** A man uses his smartphone in front of an electronic stock board showing the Hang Seng Index at a bank in Hong Kong. —AP

## EUROPEAN STOCK MARKETS, EURO HIGHER BEFORE ECB

**LONDON:** Europe's main stock markets climbed and the euro advanced versus the dollar yesterday awaiting the ECB's regular policy meeting. The European Central bank will drop hints and play for time at its meeting yesterday, analysts predict, saving a big announcement on ending its easy-money policy for October as it strives to balance conflicting pressures.

"The euro has been well bid... ahead of the ECB's interest rate decision and (European Central Bank head) Mario Draghi's press conference, with traders either anticipating taper talk or testing the central bank's resolve as it prepares to further wind down its quantitative easing program," said Oanda senior market analyst Craig Erlam. Earlier yesterday, Asian stock markets struggled to hold on to initial gains with the North Korea crisis continuing to play on investor confidence despite US President Donald Trump's deal to raise the US debt ceiling.

Markets rallied at the start of the day as the surprise deal between the president and Democrats to lift the US borrowing limit provided some much-needed good news at the end of a turbulent week. The news raised hopes again for the president's market-friendly economic agenda, including tax reform and infrastructure spending, which have been sidetracked in recent months. While tensions over Pyongyang's weekend nuclear test have abated there are fears the North is planning to launch another missile this weekend, riling an already furious United States.

Trump's insistence to Chinese counterpart Xi Jinping that military action was not his "first choice" and a call for a diplomatic solution provided some solace but fresh provocation could rattle

markets again. On currency markets the dollar lost some of Wednesday's gains against the haven yen, while traders took stock of the surprise resignation of Federal Reserve number two Stanley Fischer, who is considered one of the bank's less dovish members.

Analysts said the announcement could clear the way for boss Janet

Yellen's departure when her term ends next year and allow Trump to determine the focus of the Fed by selecting officials perhaps less likely to raise interest rates or favor stringent bank regulations. Oil prices extended Wednesday's gains on news that refineries shuttered by Hurricane Harvey in the US Gulf Coast were gradually reopening. —AFP

## CHINA'S FIFTH-LARGEST BANK DOWNGRADED TO JUNK STATUS

**BEIJING:** China's fifth-largest state-owned bank has had its credit rating downgraded to junk status by Moody's, the latest sign of fragility in the country's financial system. The decision to downgrade Bank of Communications was based on the lender's lack of customer deposits and over-reliance on expensive and volatile alternative sources of funding, Moody's said yesterday. It follows a Chinese government crackdown on banks using excessive leveraging, including unregulated "shadow banking".

"Moody's review on BoCom was triggered by the bank's increasing reliance on wholesale funds in recent years and declining profitability," said the credit ratings agency in a statement yesterday. The downgrade was driven by BoCom's "weaker funding profile when compared to other state-owned Chinese banks", particularly weaker deposit holdings, it said. BoCom's baseline credit assessment was moved from baa3 to ba1 — crossing the "junk status" threshold.

Chinese officials fear domestic

banks' growing dependence on less stable funding sources such as the sale of financial products and inter-bank lending, rather than traditional deposits, could imperil economic growth and stability in the world's second-largest economy. In March, the newly appointed head of China's banking watchdog pledged to end regulatory "chaos" in the country's banking system and cracked down on these instruments, limiting the availability and increasing the cost of financing sources on which BoCom depends.

The increase in funding costs was expected to put pressure on BoCom's profits, Moody's said. Much of China's growth over the past decade has been underpinned by debt-fueled investment in infrastructure and real estate, but has slowed in recent years. BoCom is 41.26 percent owned by the Chinese central government. It is the country's fifth-largest lender by assets, although its holdings are considerably smaller than those of nation's famous "Big Four", which hold proportionately more deposits. —AFP