



**Alghanim Lotus launches new Evora Sport 410 GP**

## HIRING PICKED UP IN SIX US STATES LAST MONTH



NEW YORK: In this Aug 22, 2017 photo, a customer looks at shoes at a Foot Locker in New York. The Commerce Department reported on business stockpiles in July. — AP

# HARVEY SLAMS US RETAIL SALES, INDUSTRIAL OUTPUT

## HURRICANE DENTS ECONOMIC GROWTH IN Q3, IMPACTS LABOR MARKET

**WASHINGTON:** US retail sales unexpectedly fell in August and industrial output recorded its biggest drop since 2009 as Hurricane Harvey disrupted activity, suggesting the storm could dent economic growth in the third quarter. Harvey, which lashed Texas in the last week of August, also has impacted the labor market. Hurricane Irma, which struck Florida last weekend, also is likely to hurt the economy, though analysts expect a rebound in the fourth quarter.

"The early returns from Harvey are trickling in and the news is not good," said Joel Naroff, chief economist at Naroff Economic Advisors in Holland, Pennsylvania. "Economists are likely marking down third-quarter growth and marking up the fourth quarter."

The Commerce Department said retail sales dropped 0.2 percent last month, the biggest decline in six months as motor vehicle sales tumbled 1.6 percent. Sales of building materials, electronics and appliances as well as clothing also fell. While noting that it could not isolate the impact of Harvey on retail sales, the department said it received indications from companies that the hurricane had "both positive and negative effects on their sales data while others indicated they were not impacted at all." Though Harvey likely depressed retail sales last month, data for July and June were revised down, suggesting a moderation in consumer spending after brisk growth in the second quarter.

Economists had forecast retail sales nudging up 0.1 percent in August. While last month's drop in motor vehicle sales was the largest in seven months, the replacement of flood-damaged vehicles, especially in the Houston area, is expected to deliver a boost.

Overall retail sales increased 3.2 percent in August on a year-on-year basis. Excluding automobiles, gasoline, building materials and food services, retail sales fell 0.2 percent last month after an unrevised 0.6 percent increase in July. These so-called core retail sales correspond most closely with the consumer spending component of gross domestic product.

Consumer spending, which accounts for more than two-thirds of US economic activity, increased at a 3.3 percent annualized rate in the second quarter. That boosted GDP growth to a 3.0 percent rate in the April-June period. US stocks inched up to record highs, while prices of US Treasuries slipped. The dollar fell against a basket of currencies.

### 'Walking wounded'

In a separate report on Friday, the Federal Reserve said industrial production declined 0.9 percent in August. That was the biggest drop since May 2009 and followed six straight monthly gains. The Fed attributed about 0.75 percentage point of the decline to storm effects that "temporarily curtailed drilling, servicing, and extraction activity for oil and natural gas."

Economists expect industrial output to decline further in September, with Irma likely weighing on utilities. "Food processing is also going to join the list of the walking wounded because South Florida grows and processes a lot of food," said Michael Montgomery, a US economist at IHS Markit in Lexington, Massachusetts. Other data from the New York Fed on Friday showed its index of factory activity in New York state remained at lofty levels in September amid strong orders growth, indicating that manufacturing remains on solid ground apart from the storm-related distortions.

The weak retail sales and industrial output reports prompted the Atlanta Fed to slash its third-quarter GDP estimate to a 2.2 percent rate from a 3.0 percent pace. The data, however, did little to change expectations that the Fed will announce a plan to start shrinking its \$4.2 trillion portfolio of Treasury bonds and mortgage-backed securities at its Sept. 19-20 policy meeting. The US central bank is expected to raise interest rates again only in December. It has increased borrowing costs twice this year.

Despite sluggish wage growth, even as the labor market nears full employment, the fundamentals for consumer spending are solid. In addition to the strong stock market, house prices have continued to rise. Last month, sales at building

material stores fell 0.5 percent after surging 0.9 percent in July. Clean-up and rebuilding in the aftermath of Harvey and Irma could buoy sales of building materials in September.

Receipts at service stations increased 2.5 percent in August, reflecting higher gasoline prices. Sales at electronics and appliance stores fell 0.7 percent and receipts at clothing stores dropped 1.0 percent after rising 0.5 percent in July.

Sales at online retailers declined 1.1 percent in August, the biggest drop since April 2014. That was likely payback following a 1.8 percent surge in July, which was driven by Amazon.com's Prime Day promotion. Receipts at restaurants and bars rose 0.3 percent and sales at sporting goods and hobby stores edged up 0.1 percent. Stockpiles

At the US same time, businesses increased their stockpiles in July, but at a slower pace than in June. Business inventories rose by a seasonally adjusted 0.2 percent in July, following June's gain of 0.5 percent, the Commerce Department said on Friday. The June increase in inventories was the most since a 0.9 percent gain in November of last year.

Sales rose 0.2 percent in July, matching the June gain. Economists expect that inventory growth will strengthen further in coming months and help support overall economic expansion.

Annual GDP growth improved to 3 percent in the second quarter of 2017. That follows a lackluster 1.2 percent expansion in the first quarter, which was slowed partly because inventories subtracted from overall economic activity. Economists believe businesses rebuilding their stockpiles could add as much as a half percentage point to overall economic growth in the current quarter.

When businesses increase stockpiles, it is generally seen as a sign of their confidence that sales will increase in the coming months. A decrease in inventories can be a sign of pessimism about future sales.

July inventory gains were led by a 0.6 percent increase in stockpiles at the wholesale level and a 0.2 percent uptick in the manufacturing sector. Those increases helped offset a 0.1 percent drop-off in retail inventories. — Agencies

## GULF BANK LEAD SPONSOR OF EUROMONEY KUWAIT 2017

### ALGHANIM TO BE A KEYNOTE SPEAKER

**KUWAIT:** Building on its commitment to supporting the economy and development of Kuwait, Gulf Bank is pleased to announce its lead sponsorship of Euromoney Kuwait Conference for the 7th consecutive year. The conference will be held on 26 September 2017 at the JW Marriott hotel, in partnership with the Ministry of Finance.

This year's conference will address the New Kuwait 2035 strategy, and the changes it will bring about to the Kuwait economy and the nation under the theme of 'New Kuwait - Financial Challenge or Financing Opportunity?' The main panel discussions are organized around four key themes: Kuwaiti Banks; Macro Economic Outlook; Capital Markets (Equity and Debt); and Financial Services.

Confirmed speakers for this 9th edition of the conference includes Anas Al-Saleh, Deputy Prime Minister, Minister of Finance and Dr. Mohammad Yousef Al-Hashel, Governor, Central Bank of Kuwait, in addition to several other senior policy-makers, financiers and investors.

Omar Kutayba Alghanim, Gulf Bank Chairman and CEO of Alghanim Industries, will participate as keynote speaker in the first interview session with Kuwaiti Banks. Alghanim will discuss the New Kuwait plan and the role that financial services industry plays in executing the plan.

The Bank will also be participating in the Financial Services panel in the afternoon and will be represented by Tareq Al-Saleh, Assistant General Manager of



Omar Kutayba Alghanim

Investments at Gulf Bank.

Gulf Bank's ongoing participation and sponsorship of the Euromoney conference stems from its dedication and commitment to supporting the development of Kuwait, by contributing its rich expertise and in depth knowledge of the Kuwaiti market and highlighting the potential opportunities that lie ahead.

The Euromoney Conference is the world's leading organizer of conferences for cross-border investment and capital markets for portfolio and direct investors, financial intermediaries, corporations, governments, banks and financial institutions. The annual Euromoney conference provides Gulf Bank an unparalleled platform to discuss Kuwait's fiscal, monetary and economic diversification strategy.

## EU MINISTERS MAKE PUSH FOR GOOGLE, FACEBOOK TAX

**MOUNTAIN VIEW:** Google and Facebook may face higher tax bills in Europe as the EU rushed yesterday to change rules so that more of Silicon Valley's mega profits fall into public coffers. Public anger against the billions of euros earned by online behemoths is growing louder in Europe and EU finance ministers meeting in Estonia pledged to make sure the companies pay a fairer tax. But divisions emerged on how to go about taking on the giants, with several member states worried that a tax in Europe could push the companies to set up shop in the US or Asia.

In the digital age "the current taxation system no longer applies and that is why we have to find another solution," said Toomas Toniste, finance minister of Estonia, which hold the EU's six-month rotating presidency. Led by France and Germany, big EU powers urged their bloc partners to explore an emergency tax so that the giants pay tax where

they earn revenue, instead of on profits booked in a low-tax EU HQ of their choice, often Ireland or Luxembourg.

"We are now about 10 countries to back this idea," said French Finance Minister Bruno Le Maire as stepped into the talks, adding that he hoped for a firm proposal by December.

"We don't want a Europe at the heel of others," he added. But the road ahead will be difficult. Europe-wide tax reform is a huge headache in the European Union, requiring unanimity of all 28 states, which has proven nearly impossible on tax issues.

### 'They're daft'

Ministers from smaller member states already hinted at difficulties, warning that they would much prefer the problem be addressed at the international level, such as at the G20 or through the OECD, the club of rich nations. "I think

we should be very careful not to tax on what we are going to live on in the future," said Danish Finance Minister Kristian Jensen.

"I am... always sceptical by new taxes and I think Europe taxes heavily enough," he added.

The OECD has also poured doubt on the proposal. Generally speaking, "taxes on revenues, they're daft", said Pascal Saint-Amans, the OECD's tax policy director during a hearing on Wednesday at the French parliament.

But "politically, I understand that it may be necessary, given that reform led by the OECD at the G20 level could take years to achieve. British Finance Minister Philip Hammond warned against angering Washington, which could abandon OECD tax reform in retaliation, sources familiar with the matter told AFP.

"We should see what the United States thinks because a

lot of these companies are US based," said Spanish Economy Minister Luis de Guindos. The commission, the EU's executive arm, has been tasked to draw up a set of solutions, including the French proposal, in time for an EU leaders summit in Tallinn on September 29.

"We cannot have a whole sector of the economy that pretty much escapes taxation," EU's economy commissioner Pierre Moscovici, who will shepherd the plan, told France Inter radio. Europeans have become increasingly aggressive against US technology giants seen by officials as gaining too much power, with Amazon and Apple also under scrutiny. Moreover, several national authorities in the EU have opened up tax fights with Google, Airbnb and other Internet giants. A French court, citing EU law, ruled in July that Google was not liable for 1.12 billion euros (\$1.27 billion) in taxes claimed by the state. France appealed the decision. — AFP