Doubts arise on whether US corp tax cut would boost growth

WASHINGTON: For President Donald Trump, what's good for General Motors is great for American workers. Same for Boeing. And AT&T. Not to mention small businesses.

Trump insists that slashing the corporate tax rate from 35 percent to as low as 15 percent would free up valuable cash. Companies would use the money to boost investment, increase employees' pay, accelerate hiring and speed economic growth. What's more, corporations that now keep trillions overseas to avoid US taxes would bring the money home. American companies could better compete with rivals based in countries with lower tax rates.

"We're going to have magnificent growth," Trump declared aboard Air Force One on Thursday. "We're going to go like a rocket ship." Would we? Many economists, tax experts and even some business owners say it's unlikely. Rather than hire, companies might use much of their tax savings to buy back their stock or increase their dividends to investors. Many companies, they note, have already been able to borrow at historically low rates to expand their businesses yet have chosen not to.

"The mainstream economic evidence is that the bulk of corporate tax cuts go exactly to whom you would expect - which is wealthy investors and executives," said Chye-Ching Huang, deputy director of federal tax policy at the left-leaning Center on Budget and Policy Priorities. Many economists foresee some benefits from overhauling and simplifying the corporate tax code, just not the extreme growth Trump is promising. One reason corporate tax cuts might provide little overall benefit is the relative health of today's economy. Unemployment is already unusually low at 4.4 percent. The economy is in the ninth year of a slow but steady expansion, rather than in a downturn in which tax cuts might deliver a major boost.

In a 2014 paper, two economists - Alexander Ljungqvist of New York University and Michael Smolyansky of the Federal Reserve - concluded that state corporate tax cuts did little to strengthen economic activity unless the cuts were made during a recession. (The flip side is that they found corporate tax increases to be "uniformly harmful.")

Nor have previous efforts to reduce corporate taxes generally delivered as advertised. Kansas, for example, exempted hundreds of thousands of businesses from corporate taxes and cut individual rates in 2012, only to face a revenue squeeze as the intended economic growth never materialized.

The federal government provided a tax "holiday" on overseas profits in 2004 to bring money back into the United States at a discount to the 35 percent rate. But the Obama administration observed later that the move had diminished tax revenue and unintentionally led companies to hoard cash abroad in hopes of receiving that discount. There is also concern that a corporate tax cut would swell the federal budget deficit. When the nonpartisan Tax Policy Center published an analysis this week, it found that even if virtually all tax breaks were eliminated, the corporate rate could drop only to 26 percent without increasing the deficit.

Still, many companies stress that lower business taxes would lead to more hiring. John Stephens, AT&T's chief financial officer, said his company faces a typical tax rate of 34 percent - including federal, state, foreign and deferred taxes - in any given year. Stephens estimates that lower rates would lead the company to immediately invest more money in its phone network, which he said would lead to more hiring by companies that work with AT&T.

"When we buy more equipment, our vendors hire more," Stephens said. "When we build more extensive networks, we have people - hard-hat jobs - building those networks."

The AT&T executive added that "anything" would be an improvement on the current corporate tax rate of 35 percent. But like many corporations, AT&T also benefited substantially from tax breaks between 2008 and 2015, saving as much as than $38 billion, according to an analysis by the left-leaning Institute on Taxation and Economic Policy. The administration has yet to spell out all the possible tax breaks that would be eliminated to pay for lower rates.

Even if the tax rates were slashed substantially, not all companies would see much of a reason to hire more workers. Bill Parks, who owns NRS, an Idaho-based boating gear company, says the tax cuts championed by Trump would no longer do much to help his business.

Years ago, the lower rates would have helped him because he was maxing out his personal credit cards and taking a second mortgage to fund NRS. But today's borrowing rates are so low that investing in workers isn't a burden, and tax changes would make little difference to his plans based on how his company is structured. Gary Cohn, Trump's top economic adviser, has argued that the planned tax cuts would help small businesses. By cutting taxes on profits that typically double as the owners' personal income, those companies would then be able to hire more freely. This assumes that business owners want to expand their payroll rather than just enjoy higher profits.

Larry Summers, a Democratic former Treasury secretary, this month rattled off a list of reasons to reporters why lower corporate tax rates wouldn't deliver as promised. Though US companies do face a high rate compared with other countries, Summers said, the fraction of profits being paid in federal taxes is low by historical standards. Corporate income taxes collected last year equaled just 1.6 percent of the economy, according to government records. That compares with 4 percent during the economic boom that followed World War II, an era of growth that Trump appears to want to revive.

Nor, in Summers' view, would rising stock prices from a lower corporate tax rate shore up the pensions of firefighters, police officers and blue collar workers, as Cohn has argued. Those few Americans who still have traditional "defined benefit" pensions don't receive any additional income if the stock market rises, Summers said. "The argument being made that the corporate tax cuts will somehow benefit workers is weak by the standards of 'trickle-down' arguments," Summers said.— AP

Africa's biggest fund manager backs CEO, denies misusing funds

JOHANNESBURG: South Africa's state-owned pension fund, the continent's biggest money manager, backed its chief executive on Friday and dismissed newspaper reports he had misused funds and improperly raised salaries for some executives.

Daniel Matjila has been chief executive officer of Public Investment Corporation (PIC), which manages nearly 2 trillion rand ($150 billion) of civil servants' pensions, since 2014. Business Day reported on Friday that Matjila had been accused in a letter sent to PIC's board of using funds reserved for corporate social investment to bankroll a business of someone close to him and of irregularly raising salaries of PIC executives. Matjila told Reuters the allegations made by Business Day were "spurious". "They are trying to find a reason to suspend or fire me," he said. The PIC held a board meeting on Friday where Matjila made representations responding to the allegations against him. "Following the meeting, the Board expressed its confidence in the ability and integrity of the CEO, Dr Daniel Matjila, management and staff of the PIC," the fund said in a statement.

"The Board also noted media allegations prior to the meeting about its intention to remove the CEO. The Board wishes to reiterate that it rejects these allegations with the contempt they deserve."

The PIC is seen as among the best-run of South Africa's 300-odd state-owned companies and is the biggest investor in the economy. It holds a large chunk of government bonds and huge stakes in blue-chip companies such as miner Anglo American, lender Barclays Africa and grocer retailer Shoprite.

On Thursday, South Africa's Treasury denied a report in another newspaper that it was about to fire Matjila, although Deputy Finance Minister and PIC chair Sfiso Buthelezi confirmed the board would seek "clarification from him on internal matters" at Friday's meeting. —Reuters

Hiring picked up in six US states last month

Macy's trims holiday hires by nearly 4%

WASHINGTON: Hiring picked up in six US states last month, fell in three and was mostly unchanged in 41 states in August. The Labor Department said Friday that the unemployment rate rose in eight states, dropped in one, and was also mostly the same in 41 states. The figures reflect the steady job gains nationwide that have fueled the eight-year long economic recovery from the Great Recession. US employers added 156,000 jobs overall last month, and the unemployment rate ticked up to 4.4 percent, still near a 16-year low.

The government said the data was collected before Hurricane Harvey plowed through Texas and Louisiana in the final week of the month and didn't affect the figures. The unemployment rate fell to 3.3 percent in Tennessee, the lowest on records in that state dating back to 1976. North Dakota and Colorado reported the nation's lowest unemployment rates, at 2.3 percent and 2.4 percent, respectively.

Several states reported strong job growth in August compared with July. Georgia added 19,800 jobs, followed by Maryland with 14,200 and Massachusetts with 10,800. Kentucky, New Mexico and New Hampshire also reported big gains. New Mexico saw the largest percentage increase, followed by New Hampshire and Maryland. Oregon, Arkansas and Maine reported large job losses in August from the previous month.

Nineteen states now have unemployment rates below the US figure of 4.4 percent, including Arkansas, at 3.5 percent; Hawaii, at 2.6 percent; Idaho, at 2.9 percent, and Iowa, at 3.3 percent.

Meanwhile, Macy's is increasing the number of temporary workers it's hiring for distribution and warehouses for the holiday season as it chases fast growing e-commerce sales. But overall holiday hiring will fall nearly 4 percent.

Macy's says it will be hiring 18,000 workers to fulfill online orders and other tasks at warehouses devoted to e-commerce operations. That's an increase of 3,000 from a year ago. Overall, Macy's temporary hiring is expected at 80,000, down from 83,000 a year ago. The overall decline contrasts with rival Target Corp., which announced earlier this week that it was hiring 100,000 people to work at its stores, an increase of 40 percent from a year ago. The retailer also plans to hire 4,500 workers to help pack and ship online orders at its warehouses.

Many other major retailers including Amazon, JC Penney and Kohl's have not made their holiday plans public yet. It provide hints to a store's expectations for the holiday season, which accounts for 20 percent of all retail sales during the year, according to the National Retail Federation, the nation's largest retail trade group. Like all department stores, Macy's has wrestled with weak sales as customers go online and also increasingly spend money on things other than clothing. It's facing competition there as well however, as Amazon, digs deeper into fashion. —AP

HIALEAH: In this file photo, people walk out of a Macy's department store in Hialeah, Florida. Macy's is increasing the number of temporary workers it's hiring for distribution and warehouses for the holiday season as it chases fast growing e-commerce sales. — AP

S&P upgrades outlook on Cyprus debt to positive

WASHINGTON: Accelerating economic growth and prospects for a continued budget surplus prompted a key credit rating agency on Friday to upgrade the outlook for Cyprus to positive. Standard and Poor's said the improved outlook indicates it could raise the grade on the country's debt in the next 12 months if the positive developments "continue unabated."

S&P currently rates Cyprus's foreign debt BB+. The agency increased the forecast for economic growth to an average of three percent a year through 2020, up from 2.5 percent previously, and said it expects the budget "to remain in surplus over the forecast horizon."

Those improvements will help banks deal with bad loans, S&P said in a statement. Eurozone member Cyprus plunged into a financial crisis in 2013, leaving a number of its top banks insolvent and forcing it to negotiate a painful bailout with international creditors.

It has since recovered, after the government imposed harsh austerity measures in exchange for a loan of 10 billion euros (then $13 billion) from the IMF and European Union.

Portugal rating

Portugal's improved economic performance and falling budget deficit prompted a key credit rating agency to raise the grade on the country's debt on Friday. Standard and Poor's said it was raising the debt rating on the country's foreign debt one notch to BBB- on the receding risks.

"The upgrade reflects our improved forecast for Portugal's GDP growth during 2017-2020, as well as the solid progress it has made in reducing its budget deficit," S&P said in a statement.

The agency forecast the Portuguese economy will grow by more than two percent on average through 2020, up from the previous forecast of 1.5 percent. Meanwhile, Lisbon is expected to meet its budget deficit target of 1.5 percent of GDP this year "putting the government debt to GDP ratio on a more firmly declining path," the statement said.

Portugal is posting its fourth consecutive year of growth since 2010, and the country in June made an early payment to the International Monetary Fund on the 29.6 billion euro loan it was granted in 2011 as part of a bailout plan. The IMF projects the country's economy will expand by 2.5 percent this year and two percent in 2018.—AP

Kenya cuts 2017 growth forecast due to drought, political unrest

NAIROBI: Kenya lowered its 2017 economic growth forecast to 5.5 percent due to drought and political uncertainty, a top official said on Friday, as the government cut non-essential spending to free up funds for a repeat presidential election. The drought earlier this year hurt agriculture, which accounts for 30 percent of output, said Kamau Thugge, the principal secretary in the ministry finance.

He said some investors are also delaying decisions after the Supreme Court nullified the results of an Aug. 8 presidential election citing irregularities in the tallying process.

A repeat poll pitting President Uhuru Kenyatta against opposition leader Raila Odinga is scheduled for Oct. 17. Odinga says he will not participate unless demands are met, including the resignation of some staff from the electoral board. Kenya has the highest per capita income in the region and is known for its capitalist tradition, stability and role as a Western ally. It hosts the regional headquarters of several global firms.

The government had initially projected a 5.9 percent growth for this year but the economy expanded 4.7 percent in the first quarter, mainly due to poor agricultural performance.

Thugge said growth would rise to 6.5 percent per year in the medium term. "This is contingent on having good weather," he told a meeting convened to discuss budget preparations. The government's revenue collection for the fiscal year starting July was behind target by 29 billion shillings ($282 million), he said. The revenue target is 1,549.4 billion shillings for the fiscal year.

"There is a shortfall in customs. There may be people waiting before they import things," he told Reuters on the sidelines of the meeting. Adding to the squeeze, the electoral board has requested 12 billion shillings for the presidential re-run. "That is only the direct cost. There is the need to provide for security and so those costs could be much higher than the 12 billion. This was not budgeted for," Thugge said, adding they will cut non-essential expenditure to fund the poll. Government officials will no longer be allowed to travel outside the country without clearance from the president and domestic travel will also be reviewed, he said. —Reuters

EXCHANGE RATES

Al-Muzaini Exchange Co.

ASIAN COUNTRIES	
Japanese Yen	2.749
Indian Rupees	4.719
Pakistani Rupees	2.867
Srilankan Rupees	1.974
Nepali Rupees	2.956
Singapore Dollar	225.490
Hongkong Dollar	38.683
Bangladesh Taka	3.702
Philippine Peso	5.935
Thai Baht	9.150
GCC COUNTRIES	
Saudi Riyal	80.627
Qatari Riyal	83.042
Omani Riyal	785.213
Bahraini Dinar	802.840
UAE Dirham	82.318
ARAB COUNTRIES	
Egyptian Pound - Cash	20.300
Egyptian Pound - Transfer	17.044
Yemen Riyal/for 1000	1.214
Tunisian Dinar	126.420
Jordanian Dinar	426.650
Lebanese Lira/for 1000	2.014
Syrian Lira	0.000
Morocco Dirham	32.986
EUROPEAN & AMERICAN COUNTRIES	
US Dollar Transfer	302.150
Euro	363.790
Sterling Pound	403.220
Canadian dollar	249.710
Turkish lira	88.660
Swiss Franc	316.720
Australian Dollar	244.140
US Dollar Buying	300.950
GOLD	
20 Gram	249.070
10 Gram	127.450
5 Gram	64.570

Dollarco Exchange Co. Ltd

Rate for Transfer	Selling Rate
US Dollar	301.800
Canadian Dollar	248.685
Sterling Pound	403.050
Euro	363.090
Swiss Frank	291.255
Bahrain Dinar	801.000
UAE Dirhams	82.560
Qatari Riyals	83.380
Saudi Riyals	81.340
Jordanian Dinar	426.950
Egyptian Pound	17.121
Sri Lankan Rupees	1.975
Indian Rupees	4.719
Pakistani Rupees	2.863
Bangladesh Taka	3.733
Philippines Pesso	5.929
Cyprus pound	17.960
Japanese Yen	3.740
Syrian Pound	1.585
Nepalese Rupees	2.954
Malaysian Ringgit	72.765
Chinese Yuan Renminbi	46.660
Thai Bhat	10.115
Turkish Lira	88.375

Bahrain Exchange Company

CURRENCY	BUY	SELL
	Europe	
British Pound	0.405285	0.415285
Czech Korune	0.005883	0.017883
Danish Krone	0.044614	0.049614
Euro	0. 356346	0.365346
Georgian Lari	0.134710	0.134710
Norwegian Krone	0.0.34712	0.039912
Romanian Leu	0.081554	0.081554
Russian ruble	0.005266	0.005266
Slovakia	0.009009	0.019009
Swedish Krona	0.034031	0.039031
Swiss Franc	0.309144	0.320144
	Australasia	
Australian Dollar	0.234154	0.246154
New Zealand Dollar	0.214881	0.224381
	America	
Canadian Dollar	0.243048	0.252048
US Dollars	0.298350	0.302770
US Dollars Mint	0.298550	0.302470
	Asia	
Bangladesh Taka	0.003242	0.003826
Chinese Yuan	0.044710	0.048210
Hong Kong Dollar	0.036785	0.039535
Indian Rupee	0.004246	0.004934
Indonesian Rupiah	0.000018	0.000024
Japanese Yen	0.002675	0.002855
Korean Won	0.000257	0.000272
Malaysian Ringgit	0.068189	0.074189
Nepalese Rupee	0.003018	0.003188
Pakistan Rupee	0.002720	0.003010
Philippine Peso	0.005835	0.006135
Singapore Dollar	0.219851	0.229851
Sri Lankan Rupee	0.001625	0.002205
Taiwan	0.009992	0.010172
Thai Baht	0.008803	0.009353
	Arab	
Bahraini Dinar	0.795050	0.803550
Egyptian Pound	0.014491	0.020399
Iranian Riyal	0.000084	0.000085
Iraqi Dinar	0.000193	0.000253
Jordanian Dinar	0.421976	0.430976
Kuwaiti Dinar	1.000000	1.000000
Lebanese Pound	0.000155	0.000255
Moroccan Dirhams	0.021159	0.045159
Omani Riyal	0.779164	0.784844
Qatar Riyal	0.078786	0.083726
Saudi Riyal	0.079567	0.080867
Syrian Pound	0.001282	0.001502
Tunisian Dinar	0.120468	0.128468
Turkish Lira	0.082950	0.093250
UAE Dirhams	0.080876	0.082576
Yemeni Riyal	0.000983	0.001063