

## Business

# US bank execs warn government shutdown adds to economic risks

## Analyst sees disconnect between financial markets and consumers

**NEW YORK:** Bank executives said Tuesday that economic conditions remained solid but warned that weakening sentiment amid a lengthening US government shutdown could kill growth.

Uncertainty about the shutdown—now the longest in US history—further dims the outlook at a time when questions about trade wars and Federal Reserve policies also are clouding plans, executives said.

"Some would estimate that if it goes on the whole quarter, it can reduce growth to zero," said JPMorgan Chief Executive Jamie Dimon as the partial shutdown entered its 24th day.

"The shutdown is not going to help the economy," Dimon said in a conference call.

"The underlying statistics of the economy globally are not bad," he said. "There's clearly a slowdown, particularly in Japan, China and Germany and the US but there's still global growth. And the consumers in good shape." Dimon's remarks came as JPMorgan and Wells Fargo reported mixed results for the fourth quarter, following a similar report Monday from Citigroup. Citigroup Chief Executive Michael Corbat said the company could "make adjustments" to plans if conditions weakened.

He described a "disconnect" between the growth fears that have disrupted financial markets in recent weeks, and the tight labor markets, good consumer confidence and other anecdotal signs of health.

"Right now we see the biggest risk in the global economy is one of talking ourselves into the next recession as opposed to the underlying fundamentals taking us there," Corbat said.

Net income at JPMorgan surged 67 percent to \$7.1 billion, with the year-ago period hit by one-time

accounting costs from US tax reform. Revenues rose four percent to \$26.8 billion.

JPMorgan's earnings got a lift from higher net interest income following four Federal Reserve interest rate hikes last year, with the bank generating higher income from credit cards and auto leases. The bank also notched an increase in overall loans.

But the results translated to \$1.98 a share compared with the expected \$2.21, a rare miss for the US giant, due in part to increased technology spending and weakness in US Treasury bond trading amid market turbulence at the end of 2018. JPMorgan also set aside increased funds for bad loans. Chief Financial Officer Marianne Lake described the extra provisions for credit losses as due to "select" loans and not indicative of "systemic problems" with credit.

### Wells Fargo earnings slip

Wells Fargo reported that fourth-quarter earnings slipped 1.4 percent to \$6.1 billion behind a 4.9 percent drop in revenues. Net interest income rose during the quarter, but the bank saw a drop in overall loans compared with the year-ago period, with declines in consumer loans more than offsetting higher commercial loans.

The results again suggest Wells Fargo is continuing to face residual skepticism from customers following a fake accounts scandal in which the bank opened credit card and other accounts for customers without their knowledge. Wells Fargo Chief Executive Tim Sloan said he was proud of "transformational changes" at the bank, adding that "we have made meaningful improvements to how we manage risk across the company."



WASHINGTON: People walk past the US Department of the Treasury during the 23rd day of the US government shutdown in Washington, DC. —AFP

Shares of JPMorgan reversed early losses and ended up 0.7 percent at \$101.68, while Wells Fargo fell 1.6 percent to \$47.67. Citigroup jumped 4.2 percent at \$61.38. —AFP

## Al-Sayer Medical Co diamond sponsor of 6th scientific conference of dental management

**KUWAIT:** Al-Sayer Medical Company, a subsidiary of Al-Sayer Holding, sponsored the 6th Scientific conference of the Department of Dentistry at the Ministry of Health, which was held under the patronage and presence of Dr Basil Al-Sabah, Minister of Health.

The conference was attended by 2000 doctors with many of the world's most renowned specialists and professors in various dental sciences. Lectures and workshops ranging from cosmetic dentistry, orthodontics, surgery, dental implants and root canal treatment. The conference also provided an opportunity to learn about the latest products in these disciplines through the exhibition.

A large booth of Al-Sayer Medical Company showcased its extensive range of the latest dental products from the world's leading medical companies. The booth attracted visitors, that inquired about the company's various products and services to clarify the information and technical details of these products.

On this occasion, the General Manager of Al-Sayer Medical Company, Dr Hossam Afify said: "At the outset, we would like to congratulate H.E. Dr. Basil Al-Sabah, Minister of Health and the Assistant Undersecretary for Dental Administration and the President of the Conference, Dr Yousef Al-Duwairi, which contributes to the development of dental services in Kuwait, and gives the opportunity for workers in this field to exchange experiences and everything new in the field of dentistry."

He added that our participation in the conference comes from Al-Sayer Holding keenness to carry out its social responsibility to support the continuous



development of health care in all specialties and the efforts of the Ministry of Health to develop services provided to citizens and residents in line with Al-Sayer Medical strategy in finding integrated medical

solutions through our partnership and we represent many international medical companies that offer the highest level of product quality, technical and scientific support.



## Vietnam's newest airline Bamboo takes first flight

**HANOI:** Vietnam's newest commercial carrier Bamboo Airways took flight yesterday, officially entering Southeast Asia's crowded aviation sector where it will face stiff competition from established players. Air travel in the region has boomed in recent years as appetites—and budgets—for travel have soared among spendthrift flyers.

Bamboo is hoping to tap into the saturated market by offering routes to lesser-known destinations in Vietnam currently underserved by

heavy-hitters like Vietnam Airlines and budget carrier Vietjet.

"Bamboo Airways will become a five-star airline to serve domestic and international passengers," Bamboo owner Trinh Van Quyet said at Hanoi's Noi Bai airport after the inaugural flight landed from Ho Chi Minh City yesterday morning.

Born poor in northern Vinh Phuc province, Quyet is best known in Vietnam for building a vast real estate empire FLC Group, which has built luxury hotels, golf courses and condominiums across the country and is the parent company of Bamboo. The property tycoon told AFP in an interview last year that he hopes to offer customers integrated travel packages to his resorts at affordable prices. But analysts have warned that travellers are moving away from package deals and prefer to tailor their own trips online. Bamboo will operate eight

domestic routes daily, with plans to fly from Hanoi to Japan, South Korea and Singapore later this year and eventually to Europe.

Vietnam's aviation sector is surging, with passenger numbers jumping to 62 million last year from 25 million in 2012. Regional and domestic airlines are scrambling to keep up with that growth as Vietnam's airports strain to accommodate an increasing number of flights and passengers.

National carrier Vietnam Airlines and Vietjet, infamous for its bikini-clad air hostesses, currently dominate international and domestic travel.

Bamboo is not the only carrier looking to edge into the sector. Last month, Malaysian budget airline AirAsia signed an agreement with a Vietnamese travel firm to launch a low-cost carrier in Vietnam, though a timeline for takeoff was not provided. —AFP

## Global economy is headed for recession: Analyst

**LONDON:** Global growth is slowing and the world economy is headed for a recession in 2019 unless something happens to give it renewed momentum. The OECD's composite leading indicator fell to just 99.3 points in November, its lowest since October 2012, and down from a peak of 100.5 at the end of 2017.

Growth momentum has been easing for some time in Britain, Canada, France and Italy and there were tentative signs of slackening momentum in the United States and Germany in November.

The composite indicator is likely to fall even further when data for December are published next month, given the weakness already revealed in equity markets and business surveys.

The OECD composite leading indicator has been weakening consistently for the last year and now points unambiguously to a contraction ahead.

### Recession reading

In the last 50 years, whenever the index has fallen below 99.3, there has almost always been a recession in the United States (1970, 1974, 1980, 1981, 1990, 2001 and 2008). The one exception was the weakening of the index in 1998, when the United States continued to grow, despite the weakening global economy in the aftermath of the Asian financial crisis.

Even in this case, however, the interest-rate setting Federal Open Market Committee noted "the economy has been holding up but is now showing clear signs of deterioration." "When we feed this information into our various models, they inevitably, as we might expect, engender a quite considerable softening." The observations are contained in the transcript of an unusual, out-of-cycle conference call held by the Federal Open Market Committee in September 1998.

One week later, the Federal Reserve responded to signs of a weakening economy by cutting US interest rates.

### Freight slowdown

Most of the world's major economies outside the United States showed clear signs of slackening growth in the fourth quarter of 2018. Even in the United States, the Institute for Supply Management's manufacturing index for December showed the sharpest deceleration in growth since the recessions of 2008 and 2001. Global trade volumes showed signs of slowing towards the end of 2018 after strong growth in 2017.

Air freight through Hong Kong International Airport, the world's busiest air cargo hub and a proxy for global trade, was down 1.6 percent year-on-year in the fourth quarter. Air freight volumes in Hong Kong were down by a massive 5 percent in December compared with the same month a year earlier, according to the Civil Aviation Department.

### Hard landing?

Most economists now forecast a period of slower growth in 2019 but policymakers have expressed hope for a soft landing rather than an outright recession. Policymakers almost always aim for a soft landing, in an effort to maintain business and consumer confidence, but there are good reasons to be sceptical about the scenario.

Experience shows the economy is characterized by a significant number of positive feedback mechanisms which amplify booms and slumps. Expansions tend to accelerate as business investment, employment, incomes, consumer spending and equity prices reinforce each other. —Reuters