

Business

WEDNESDAY, OCTOBER 2, 2019

12 NBK bags 'Best Corporate for Investor Relations' in Kuwait award for 2019**13** Conquering every terrain: New Nissan Patrol makes global debut in Mideast**14** Huawei founder: AI will change how international community develops

FLINT, Michigan: In this file photo taken on June 12, 2019, line workers assemble the chassis of full-size General Motors pickup trucks at the Flint assembly plant. US manufacturing activity tumbled to a more than 10-year low in September as lingering trade tensions weighed on exports, according to an industry survey released yesterday. — AFP

US factory activity sinks to 10-year low

Lingering trade tensions weigh on exports

WASHINGTON: US manufacturing activity tumbled to a more than 10-year low in September as lingering trade tensions weighed on exports, further heightening financial market concerns of a sharp slowdown in economic growth in the third quarter.

The survey from the Institute for Supply Management (ISM) yesterday came on the heels of data last week showing a moderation in consumer spending in August. The economy's fading fortunes have been blamed on the White House's 15-month trade war with China, which has sapped business confidence and undermined manufacturing. "This is serious," said Torsten Slok, chief economist at Deutsche Bank Securities in New York. "There is no end in sight to this slowdown, the recession risk is real."

The Federal Reserve cut interest rates again last month after lowering borrowing costs in July for the first time since 2008 to keep the longest economic expansion in history on track.

Fed Chair Jerome Powell said trade policy tensions, which "have waxed and waned, and elevated uncertainty is weighing on US investment and exports." Powell said US central bank contacts had told policymakers that trade policy uncertainty "has discouraged them

from investing in their businesses."

The ISM said its index of national factory activity dropped 1.3 points to a reading of 47.8 last month, the lowest level since June 2009, when the recession was ending. A reading below 50 indicates contraction in the manufacturing sector, which accounts for about 11 percent of the US economy. September's reading marked the second straight month that the index broke below the 50 threshold.

The index has now declined for a sixth consecutive month and is in stark contrast with a rebound in the so-called hard data like industrial production, which showed output at factories rising in August. Still, the ISM index needs to drop below the 42.9 level to signal a recession in the broader economy.

The US-China trade war also coincides with a fading boost from last year's \$1.5 trillion tax cut package. The ISM said comments from manufacturers "reflect a continuing decrease in business confidence," and also noted that "global trade remains the most significant issue." Economists polled by Reuters had forecast the ISM index rising to 50.1 in September.

The ISM's forward-looking new orders sub-index edged up to a reading of 47.3 last month from 47.2,

which was the lowest level since June 2012. A measure of export orders plunged 2.3 points to a reading of 41.0 in September. The survey's factory employment index dropped to 46.3 last month from 47.4 in August. The dollar fell against a basket of currencies after the data. US Treasury prices rose. US stocks were trading lower.

Construction spending tepid

Slowing economic growth was also underscored by a separate report from the Commerce Department showing construction spending edged up 0.1 percent in August. Data for July was revised down to show construction outlays unchanged instead of nudging up 0.1 percent as previously reported.

Economists polled by Reuters had forecast construction spending increasing 0.4 percent in August. Construction spending fell 1.9 percent on a year-on-year basis in August. Spending on private residential projects jumped 0.9 percent, the biggest gain since November 2018, after rising 0.6 percent in July. Housing starts and building permits surged to a more than 12-year high in August, government data showed last month, lifted by declining mortgage rates.

The 30-year fixed mortgage rate has dropped about

130 basis points from last year's highs to an average of 3.64 percent, according to data from mortgage finance agency Freddie Mac. Spending on private nonresidential structures, which includes manufacturing and power plants, dropped 1.0 percent in August to the lowest level since January 2018. Investment in private nonresidential structures decreased 1.6 percent in July.

Outlays on private nonresidential structures have been weighed down by a manufacturing downturn due to trade tensions and cheaper energy products. Investment in nonresidential construction fell at its steepest pace in more than three years in the second quarter. That contributed to business investment declining for the first time in more than three years. Spending on private construction projects was unchanged in August after declining for four straight months.

Investment in public construction projects rose 0.4 percent after increasing 1.4 percent in July. Spending on state and local government construction projects gained 0.6 percent. That followed a 1.7 percent surge in July. Outlays on federal government construction projects dropped 2.2 percent in August after falling 2.5 percent in the prior month. — Reuters

Iranian home buyers dodge sanctions, make Turkey their plan B

ISTANBUL: Iranians in Turkey are finding ways to sidestep laws in their home country to buy properties and get Turkish passports, hoping to protect their savings even as the United States ramps up sanctions on Iran. As they find ways around Iran's money-transfer restrictions, the spike in home-buying has propelled Iranians to become Turkey's second-largest foreign property buyers, behind only Iraqis.

Hundreds of professional Iranians have been forced to make "dodgy money transfers" simply to get by, said one former electrician shop owner who now helps his countrymen buy homes in Istanbul.

Interviewed in a housing complex of towers and shops where Farsi was heard as much

as Turkish, he said he is not proud of his work which involves helping Iranians transfer money out of their country for which he receives a commission. Some of the transactions he makes for his fellow countrymen are illegal and he knows that if he returned home he would be arrested for money laundering.

"There is no way to do it legally, so we help them transfer the money," he said under condition of anonymity. "Who am I to be doing this? A bank should actually be doing this job."

Washington's policy of "maximum pressure" sanctions meant to cripple Iran's economy and force concessions over its nuclear program have prompted Tehran to limit the foreign currency citizens can hold outside banks. But that and other measures meant to support the Iranian rial have been widely disobeyed, analysts say, prompting the government to resort to bartering to keep the economy afloat.

According to five Iranians who spoke to Reuters about property-buying in neighboring Turkey, they are attracted because of the similar Muslim-majority culture and the ease of registering businesses as foreigners in a country that does not recognize US sanc-

tions on Iran. After last year's currency crisis tipped Turkey's economy into recession, the Turkish government made it easier for foreign nationals to gain citizenship, slashing the property investment threshold to \$250,000 from \$1 million. The lifetime passport offer, for foreigners who commit not to sell for at least three years, is meant to keep money flowing into an economy that was driven for years by a foreign-funded construction boom.

But for middle-class Iranians, property ownership presented an escape from difficulties back home and a safe haven from US sanctions, which Washington increased again two weeks ago by targeting Iran's central bank. "I have a lot of friends and acquaintances who have bought houses in Istanbul and Izmir. People are thinking about buying houses as a plan B," said Ali Asgarzade, an Iranian lawyer who plans to move his family from Tabriz to Istanbul due to economic conditions. Asgarzade said he found the price of baby formula in Iran baffling because it tripled in a matter of months after the reimposition of sanctions. He then decided Turkey was the right choice for his family. — Reuters

Ford, Mahindra agree on \$275m deal for India, emerging markets

MUMBAI/NEW DELHI: Ford Motor Co and Mahindra & Mahindra will form a joint venture in India valued at \$275 million to produce and sell vehicles in the country and export to emerging markets, the two companies said yesterday.

The two companies have for months been negotiating the deal which will see Ford take a 49% stake in the new entity and end most of its independent local operations in the country, Reuters reported in April. Under the terms of the deal, which is likely to be finalized by mid-2020, Ford will transfer its local automotive assets, including both its car manufacturing plants in the country,

and employees to the new entity, the companies said in a statement.

Under pressure from shareholders to make profits, Ford has been globally restructuring its businesses with an aim to save \$11 billion over the next few years. By shifting to a joint venture, Ford is changing its India strategy where it has long run an independent operation in a market dominated by Asian car makers like Suzuki Motor Corp and Hyundai Motor Co and where several others have struggled to make money.

"Strong alliances like this play a crucial role in assuring we continue to achieve our vision while at the same time staying competitive and delivering value to our global stakeholders," Jim Hackett, Ford president and CEO said in the statement. Ford's two car manufacturing plants - one in Chennai in southern India and the other in Sanand in western India which was inaugurated in 2015 - will be moved to the new joint venture, the companies said. Ford will retain its engine plant at Sanand and its global business center in Chennai. — Reuters