

Business

TUESDAY, APRIL 28, 2020

10 Bank of Japan expands easing measures, cuts growth forecast



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11 Ghostly airports: Air travel in the time of the virus



NEW YORK: Clouds move over an almost-deserted Times Square in the early morning hours of Friday in New York City. Job losses from the coronavirus pandemic deepened last week with data showing another 4.4 million US workers filed new claims for jobless benefits, bringing the total to 26.4 million since mid-March. — AFP

US economy faces historic shock

Trump advisor says 16% joblessness possible

WASHINGTON: The shuttering of the US economy due to the coronavirus pandemic is a shock of historic proportions that will likely push the national unemployment rate to 16 percent or higher this month and require more stimulus to ensure a strong rebound, a White House economic adviser said on Sunday. "It's a really grave situation," President Donald Trump's adviser, Kevin Hassett, told the ABC program "This Week."

"This is the biggest negative shock that our economy, I think, has ever seen. We're going to be looking at an unemployment rate that approaches rates that we saw during the Great Depression" of the 1930s, Hassett added. Lockdowns across the United States to curtail the spread of the novel coronavirus have hammered the economy, shuttering businesses and sending unemployment skyrocketing.

A record 26.5 million Americans have filed for jobless benefits since mid-March, and retail sales, homebuilding and consumer confidence have all cratered. The nonpartisan Congressional Budget Office predicts US gross domestic product will contract at nearly a 40 percent annual rate in the second quarter, with unemployment cresting at 16 percent in the third quarter. But even next year, the CBO sees the jobless rate still averaging above 10 percent. Before the pandemic struck, the US jobless rate had

been hovering at a 50-year low of 3.5 percent.

"I think the unemployment rate is going to jump to a level probably around 16 percent or even higher in the next jobs report," due on May 8, providing April employment statistics, Hassett told reporters at the White House. Hassett added that the second-quarter drop expected in the nation's GDP would



26.5 million Americans claim jobless benefits

be a "big number."

"I think the next couple of months are going to look terrible. You're going to see numbers as bad as anything we've ever seen before," Hassett said, referring to US economic data.

"We're going to need really big thoughtful policies to put together to make it so that people are

optimistic again," Hassett added. Trump's advisers want to hone a list of five or six ideas to present to Congress to help clear the economic carnage, Hassett said. "I'm sure that over the next three or four weeks, everybody's going to pull together and come up with a plan to give us the best chance possible for a V-shaped recovery," Hassett told ABC. "I ... don't think you get it if we don't have another round of really solid legislation." A "V-shaped recovery" is one in which an economy bounces back sharply after a precipitous decline.

Tensions on Capitol Hill

The US Congress has already approved \$3 trillion in coronavirus relief in a show of bipartisan support for laid-off workers and an economy in free fall. Lawmakers are now poised for a battle over federal assistance to state and local governments whose budgets have been shattered by a plunge in tax revenue even as they have had to take extraordinary measures during a pandemic that has caused a US death toll approaching 55,000. New York City needs \$7.4 billion in federal aid to offset economic losses from the coronavirus, its mayor said on Sunday. "If New York City is not (made) whole, it will drag down the entire region, and it will hold up the entire national economic restart," Mayor Bill de Blasio, a Democrat,

said on the Fox program "Sunday Morning Futures." Like de Blasio, many of the nation's governors - Democrats and Republicans alike - have pressed the Trump administration and Congress to come forward with a sizable relief package. "We will have state and local (aid), and we will have it in a very significant way," House of Representatives Speaker Nancy Pelosi, the top Democrat in Congress, said on CNN's "State of the Union." "The governors are impatient," Pelosi added. "Their impatience will help us get an even bigger number."

Trump has shown a willingness to support aid for cities and states, but some fellow Republicans - including Senate Majority Leader Mitch McConnell - have voiced wariness, citing a mounting federal debt load. McConnell, in remarks that have drawn sharp rebukes from various governors as well as Democratic lawmakers, has suggested that states should declare bankruptcy instead.

Treasury Secretary Steven Mnuchin, asked whether Trump would support providing hundreds of billions of dollars to the states, said any further relief would have to receive support from both parties. "This is a war. We'll win this war. If we need to spend more money, we will, and we'll only do it with bipartisan support," Mnuchin told "Fox News Sunday." — Reuters

US oil slides below \$15 on storage worries

SINGAPORE: US oil prices fell heavily yesterday and slipped below \$15 a barrel on renewed storage concerns as the coronavirus throttles demand, even as producers start slashing output to boost markets. American benchmark West Texas Intermediate dropped 15 percent to \$14.39 a barrel in Asian afternoon trade, reversing direction after several days of gains last week.

Brent crude, the international benchmark, was off nearly six percent at \$20.16 a barrel. Oil prices have collapsed in recent weeks as demand evaporated because of lockdowns and travel restrictions imposed worldwide to fight the virus. Last week, US oil fell below zero for the first time as investors scrambled to offload it before the expiry of a trading contract, but could not readily find buyers.

Prices have recovered since, but remain at their lowest levels for years. A key worry for traders is that storage facilities - particularly in the United States - cannot cope with the oversupply. "Concerns surrounding rising global inventories, especially in the US with the coronavirus pandemic weighing on gasoline consumption, are pressuring oil prices," said Kim Kwangrae, a commodities analyst at Samsung Futures Inc.

The oversupply could test storage capacity limits in three to



A view of the Marathon Petroleum Corp's Los Angeles Refinery in Carson. — AFP

four weeks as tanks fill up, Goldman Sachs warned in a report. The continued concerns about storage overshadowed signs that some countries - including Kuwait and Algeria - are starting to slash production in line with a major agreement hammered out this month.

Top producers have agreed to reduce output by 10 million barrels a day from May to shore up markets, a deal that marked an end to a price war between Russia and Saudi Arabia. — AFP

Egypt seeks aid from IMF amid virus-hit downturn

CAIRO: Egypt is seeking an aid package from the International Monetary Fund to offset the economic impact of the coronavirus pandemic, Prime Minister Mostafa Madbouli said Sunday.

In a televised press conference with the central bank governor and other ministers, Madbouli did not specify the size of the one-year financial aid package the government was seeking from the IMF alongside technical assistance. He said the loan would be negotiated "within days".

In a statement Sunday, IMF Managing Director Kristalina Georgieva said Egypt's request would be presented to the Fund's executive board "within the next few weeks".

But she struck a clearly supportive tone, saying Cairo had "responded quickly and decisively" to limit the spread of the virus and support affected people and businesses. Georgieva added that "the Central Bank of Egypt has also implemented timely measures to support the domestic economy."

Madbouli, while touting the North African economy's strong performance before the outbreak, said the aid package was crucial, given that flights are grounded and tourism halted. "No one knows when this crisis will end, so we wanted to take some measures that would build on the economy's gains, especially after the complete shutdown of the aviation and tourism sectors," he said.

Egypt's tourism sector earned \$12.6 billion in 2019, the highest figure in nearly a decade. But the impact of coronavirus has been severe. — AFP