BoE keeps rate at record low, awaiting Brexit talks outcome

US, UK discussing tariffs before trade deal: Lighthizer

LONDON: The Bank of England kept its key interest rate at a record-low 0.1 percent yesterday and maintained the huge amount of cash stimulus it has been pumping around the economy. Following its final monetary policy meeting before the end of the Brexit transition period on December 31, the BoE said it stands ready to carry out "whatever additional action is necessary" as the coronavirus pandemic slashes economic growth.

The central bank said the start of vaccine rollouts "is likely to reduce the downside risks to the economic outlook from COVID".

"Financial markets worldwide, and some surveys of businesses and consumers, have reacted positively to these developments which are likely to support future UK and global activity," it added in minutes of its regular meeting held on Wednesday. The bank has pumped out £450 billion under its QE-Quantitative Easing-stimulus program since March, when Covid-19 prompted Britain's first coronavirus lockdown. The pandemic led the BoE to also slash its main interest rate to 0.1 percent. Prior to this, it pumped hundreds of billions of pounds into the UK economy over the past decade in the wake of the 2008-09 global financial crisis and the 2016 Brexit referendum. Britain leaves the EU single market in just two weeks after an 11-month post-Brexit transition.

The BoE last week said that while UK banks were "resilient" to the risks of Brexit and coronavirus, financial services could face "disruption" when the transition period ends.

Britain left the EU on January 31 this year but remains under its rules under December 31 while it tries to establish the terms of its new relationship with the bloc. The country has meanwhile been one of the worst hit by the pandemic with the most deaths in Europe and an 11 percent contraction to its economy.

Meanwhile, Britain and the United States are holding talks to cut trade tariffs imposed in a transatlantic spat with the EU over subsidies for aerospace giant Airbus, US trade representative Robert Lighthizer said yesterday. At the same time, he played down expectations of a major UK-US free trade deal promised by President Donald Trump and sought by Prime Minister Boris Johnson. "I'm talking to (UK international trade secretary) Liz Truss about trying to work out some kind of a deal," he told the BBC in an interview.

"I'm hopeful we can get some kind of an agreement out you know, we don't have a lot of time left."

The talks come after Britain last week announced it would drop tariffs on US products which the EU imposed after the United States hiked duties on European produce because of state support for Airbus. The change will come into force from January 1, when Britain leaves the European Union single market and customs union as a result of Brexit.

In doing so, London is hoping to curry favor with Washington and pave the way for a wider trade deal.

Lighthizer suggested the United States could lower its punitive tariffs, notably on Scotch whisky. "We have the advantage in that both the US and the UK-particularly the current government of the UK-are not big subsidizers, where some other countries are more inclined to subsidize," he added. "So it would be helpful if we could come to some kind of agreement." Trump is in the dog days of his turbulent presidency, just as Britain gears up for Brexit and is in the process of finalizing free trade deals around the world. A deal with the world's biggest economy would be a huge prize but is controversial in Britain, with fears Johnson could sign away access for US companies to the state-run National Health Service.

There are also lingering doubts about food standards, including imports of US chlorine-washed chicken and hormone-injected beef. Lighthizer said it was "extremely likely" a deal will be signed "before long" but said "tough compromises" were needed, particularly on agricultural issues. Much would depend on Britain's future relations with the EU, which is its largest single trading partner, details of which are still being thrashed out in talks in Brussels. "The nature of our relationship is going to be affected by the nature of the relationship between the EU and the UK, right," he said.

"They're a much bigger trading partner to you than we are, so that has an impact... I've always had the view that there's just an awful lot of trade between the UK and the EU and it was hard to see there weren't going to be any rules to that." London has already announced a number of trade deals with countries including Japan, largely based on existing accords with the EU. — AFP

LONDON: A pedestrian wearing a mask because of the coronavirus pandemic walks past the Bank of England in the City of London. — AFP

EU approves Google's Fitbit acquisition

BRUSSELS: The European Union yesterday approved Google's $2.1 billion purchase of smartwatch maker Fitbit, after the tech titan agreed to conditions including not using health data from European users for advertising. "We can approve the proposed acquisition of Fitbit by Google because the commitments will ensure that the market for wearables and the nascent digital health space will remain open and competitive," EU competition chief Margrethe Vestager said, in a statement.

"The commitments will determine how Google can use the data collected for ad purposes, how interoperability between competing wearables and Android will be safeguarded and how users can continue to share health and fitness data." The green light from the European Commission comes after it conducted an "in-depth" probe into the takeover over concerns that it would give Google access to users' health details and an unfair market advantage.

In November last year the tech titan announced it had reached an agreement to buy Fitbit, which produces wearable fitness trackers and watches that communicate with a health monitoring app.

The firms said they hoped to conclude the deal by the end of 2020, subject to regulators signing off on it. The EU said Google had agreed to a raft of commitments for an initial 10 years to protect personal data and ensure that the acquisition did not squeeze out other smartwatch manufacturers.

"Google will not use for Google Ads the health and wellness data collected from wrist-worn wearable devices and other Fitbit devices," the Commission said. Further conditions included allowing other manufacturers to keep accessing Google's Android operating system and any future updates without it "degrading users experience". "The Commission concluded that the proposed transaction, as modified by the commitments, would no longer raise competition concerns," the statement said.

Google had already promised not to use Fitbit health and wellness data for Google ads, but the acquisition attracted concerns from consumer groups and competition authorities.

Regulators and competitors feared that Google's own smartwatch performs a similar function and acquiring Fitbit's user data will strengthen its already powerful position in targeted advertising. — AFP

US jobless claims rise for second week to 885,000

WASHINGTON: New applications for US jobless benefits increased for the second week in a row, according to government data released yesterday, with 885,000 applications submitted last week.

The rise in seasonally adjusted claims was much worse than expected and 23,000 above the previous week's upwardly revised level, the Labor Department reported. It was also the fourth week of increases over the past five, indicating layoffs are rising amid prolonged and ongoing negotiations in Congress over a new stimulus package to aid the economy's recovery from the coronavirus pandemic.

Claims skyrocketed after business shutdowns to stop COVID-19 started in March, and have remained above the worst single week of the 2008-2010 global financial crisis ever since. The data for the week ended December 12 also showed another 455,037 people, not seasonally adjusted, filed claims under a program for workers not normally eligible. "Recent weeks data are signaling a deteriorating trend in the labor market," Rubeela Farooqi of High Frequency Economics said.

"The health crisis is likely to get worse after the upcoming holiday which will translate into even wider limitations on activity, business closures and mounting job losses." About 20.6 million people were receiving benefits through all government programs as of the week ended November 28, an increase of around 1.6 million. Congress passed the $2.2 trillion CARES Act rescue package in the pandemic's early days, which created a number of programs to expand the unemployment safety net.

That included the Pandemic Emergency Unemployment Compensation program for the long-term unemployed, and as of the end of November more than 9.2 million people were receiving benefits from that program, up 688,793 from the prior week. But that safety net will expire at the end of the month if Congress does not act. —AFP