

Business

US services, private employment data shows early recovery signs

Labor market stabilizing as layoffs abate

WASHINGTON: Private companies shed another 2.76 million jobs in May and the dominant services industry contracted for the second straight month, but signs of recovery from the coronavirus lockdowns have emerged.

The US economy has been battered by the pandemic as businesses closed to stop the virus's spread, with more than 40 million people losing their jobs at least temporarily, and the unemployment rate surging from near-historic lows to 14.7 percent in April.

The private employment data released by payrolls firm ADP on Wednesday adds to the nearly 20 million jobs lost in April, and indicates the official unemployment rate is set to continue upward on Friday when the latest government jobs report is released. "The impact of the COVID-19 crisis continues to weigh on businesses of all sizes," Ahu Yildirmaz, co-head of the ADP Research Institute, said in a statement.

"While the labor market is still reeling from the effects of the pandemic, job loss likely peaked in April, as many states have begun a phased reopening of businesses." The losses were widespread throughout all sectors and sizes of business, though education posted a rare, modest increase in employment, according to the data.

The losses were, however, well below the nine million expected by economists, who have been predicting a rebound in employment thanks to states' moves to reopen and a mas-

sive government rescue package that has allowed some companies to retain or rehire workers. The report "suggests that the re-hiring of people in states beginning to reopen was very substantial," said Ian Shepherdson of Pantheon Macroeconomics.

Services shrinks, but slows

The dominant US services sector alone lost just under two million jobs in May, while manufacturing lost 719,000, according to the ADP report. A separate survey from the Institute for Supply Management (ISM) showed the services sector contracting for the second month but at a slower rate than in April, rising to 45.4 percent from 41.8 percent, with a 15-point jump in the production index to 41.0 percent.

Anything below 50 percent indicates activity is slowing, meaning the lockdowns ended nearly 10 years of uninterrupted growth in the services industry, and the survey's employment index for May was a paltry 31.8 percent, just above the month prior. Until last week, "it looked like we were bottoming out and hopefully were recovering a little bit," ISM survey chair Anthony Nieves told reporters.

But the at-times violent protests unfolding in cities and towns nationwide over the death of George Floyd, the latest in a string of black people to be killed by police, add a dash of uncertainty, he said. Curfews have been imposed in dozens of cities to quell the unrest at a time when states were just allowing more and more

guidelines and had operations in place to help disburse the funds as swiftly as possible.

Scrutiny of the use of private companies to run the relief scheme comes as Prime Minister Shinzo Abe's support rate has slid, partly due to his handling of the pandemic which critics have called clumsy.

Japan is emerging from government restrictions on movement and business aimed at curbing the spread of the new coronavirus, having recorded 17,000 cases of COVID-19 - the respiratory illness caused by the virus - and over 900 deaths.

Like the SMEs targeted by the relief fund, Dentsu has also been impacted by the lockdown measures. Particularly painful for the firm was the virus-induced delay in the Tokyo 2020 Olympics, in which it has a central part. Dentsu plays an outsized role in Japan beyond its dominance of the advertising industry, including providing services to the government.

It established Service Design Engineering Council in 2016 with staffing firm Pasona Group Inc and IT firm Transcosmos Inc. Dentsu is subcontracting some work from the latest contract to Pasona and Transcosmos, the government document showed.

Pasona and Transcosmos did not immediately respond to requests for comment. —Reuters



WASHINGTON, DC: In this file photo a mannequin is seen in the front of a closed store in the normally busy shopping district of Georgetown in Washington, DC. Private companies shed another 2.76 million jobs in May following nearly 20 million job losses in April due to the coronavirus pandemic, according to data released on Wednesday. —AFP

businesses to reopen, while President Donald Trump has threatened to deploy the military.

"It will remain to be seen, with what's going on with the combination of the pandemic and civil unrest and social injustice and everything else that's happening right now" how the services sector fares, Nieves said.

Friday's Department of Labor jobs report is set to raise the worst unemployment rate since

the Great Depression 90 years ago even higher. But while the ADP data isn't infallible, Shepherdson said it indicated that it is probably safe to "assume that Friday's official payroll numbers will be much less bad than the current consensus."

He predicted another decline of eight million jobs, and "June payrolls likely will increase substantially." —AFP

Canada central bank holds rates

OTTAWA: The Bank of Canada on Wednesday held its key lending rate at a record low 0.25 percent, saying the COVID-19 pandemic's devastation on the global economy appears to have peaked.

It said it was scaling back unprecedented measures to keep financial markets functioning, as a result, but warned that the recovery will be uncertain. "Incoming data confirm the severe impact of the COVID-19 pandemic on the global economy. This impact appears to have peaked, although uncertainty about how the recovery will unfold remains high," the central bank said in a statement.

"Financial conditions have improved, and commodity prices have risen in recent weeks after falling sharply earlier this year," it added. Because countries have planned the lifting of virus containment measures at different times, it said "the global recovery likely will be protracted and uneven."

Canada has recorded historic output and job losses, but avoided the worse-case scenario, the

bank said, updating its projected second quarter growth to decline between 10 and 20 percent—down from 15 to 30 percent forecast last month. The economy would still likely resume growth in the third quarter, it added.

In the first three months of the year, the economy contracted 8.2 percent due to the pandemic—its most pronounced drop since the global financial crisis in 2009. Unemployment, meanwhile, soared in April to 13 percent.

The rate announcement marked the first day on the job for new bank governor Tiff Macklem, who replaces outgoing boss Stephen Poloz. Macklem observed deliberations of the bank's governing council over the past few days and backed Wednesday's rate decision, according to a statement.

The Bank of Canada this year has bought a significant amount of government bonds and corporate debt as part of its first-ever foray into quantitative easing.

Its monetary expansion remains below levels in the United States, Japan and the EU, but has been bigger as a share of its economy than in most other countries. "As market function improves and containment restrictions ease, the Bank's focus will shift to supporting the resumption of growth in output and employment," the bank concluded. —AFP

Japan's Dentsu gets \$700m govt windfall

TOKYO: Japanese advertising giant Dentsu Group Inc has received almost \$700 million via a government contract to provide back-office services for a scheme to help virus-hit firms, under a framework opposition lawmakers called "opaque". Dentsu received 97 percent of the 76.9 billion yen (\$707 million) awarded via a tender to a company it co-founded to support the Ministry of Economy, Trade and Industry's relief fund for small and mid-sized enterprises (SMEs), showed a government document seen by Reuters.

Opposition politicians have questioned whether the contract with Service Design Engineering Council - and its arrangement with Dentsu and its multitude of subcontractors - is a waste of taxpayers' money and could slow the process of channeling funds to eligible recipients. Dentsu, echoing a statement from Service Design Engineering Council, told Reuters it was performing duties in line with government