

Business

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Small US businesses increasingly fearful about economy: Survey

Inflation hawks critique Biden's \$1.9 trillion spending plan

WASHINGTON: Small businesses saw no light at the end of the COVID-19 tunnel as optimism about the US economy waned in January, according to an industry survey released yesterday.

Following a third wave of coronavirus cases late last year, and as Congress debates a new round of government aid, the National Federation of Independent Business (NFIB) said its optimism index dropped 0.9 points to 95.0, three points below the average since 1973 and down from 104 in January 2020.

Even as hiring increased solidly, owners expecting better business conditions over the next six months declined seven points to the lowest level since November 2013, NFIB said. January came in with a whimper as consumer spending tailed off sharply at the end of 2020, the report noted.

Small firms have benefitted from multiple rounds of government loans, and President Joe Biden's proposed \$1.9 trillion rescue package would extend additional aid. "As Congress debates another stimulus package, small employers welcome any additional relief that will provide a powerful fiscal boost as their expectations for the future are uncertain," NFIB Chief Economist Bill Dunkelberg said in a statement.

Ian Shepherdson of Pantheon Macroeconomics notes that the survey—which had just over 1,000 responses—has a "strong Republican bias" and despite the decline had returned to the level seen prior to the 2016 election won by former president Donald Trump.

Spending plan

President Joe Biden's \$1.9 trillion proposal aimed at revitalizing the US economy has drawn skepti-

cism from some economists, including a former Treasury secretary who is also a member of his Democratic Party. Larry Summers's warning last week that the plan could cause inflation to rise and crowd out other investment priorities has sparked a debate over whether Biden's proposal is excessive, even for an economy that has sustained massive damage during the pandemic.

Here is a look at the debate over whether the spending package would cause an inflation uptick in the United States:

Summers and Yellen disagree

In a column for The Washington Post last week, Summers, who served as Treasury secretary under president Bill Clinton and as an adviser in Barack Obama's White House, acknowledged that Biden's plan may be just what the economy needs to recover from the sharp growth contraction and mass layoffs caused by Covid-19.

But given the enormous size of the package, he said policymakers should make clear that they will closely monitor for any sustained upticks in inflation, or the increase in the cost of living as measured by commonly used goods and services. He also warned such massive spending could end up leaving the United States without the resources for other Biden administration priorities, like investing in the country's aging infrastructure or fighting economic inequality.

Summers' critique was echoed by former IMF chief economist Olivier Blanchard, who said the package is "too much" but could be restrained by new taxes aimed at offsetting its costs and limiting overheating effects. In a weekend interview with CNN, Treasury Secretary Janet Yellen acknowl-



LOS ANGELES: In this file photo members of small business owners practice social distancing in front the TCL Chinese Theatre prior to a 'Save Small Business' protest in Los Angeles, California. Small businesses saw no light at the end of the COVID-19 tunnel as optimism about the US economy waned. — AFP

edged inflation is "also a risk."

But the former Federal Reserve chair said, "We have the tools to deal with that risk," and argued that the president's proposal could get the US economy back to full employment by 2022.

The president's rescue plan would provide for stimulus checks, expanded unemployment benefits and aid to small businesses, though it may ultimately

get whittled down from its initial \$1.9 trillion price tag as it makes its way through Congress, where his Democratic party has a slim majority in both houses. If passed, the measure would be the third major aid package approved by Congress, following the \$2.2 trillion CARES Act enacted as the pandemic struck last March, and a \$900 billion follow-up measure passed in December. — AFP

British Airways eyes greener jet fuel from 2022

LONDON: British Airways yesterday unveiled a partnership with US startup LanzaJet to produce jet fuel aimed at cutting carbon emissions from 2022. The announcement comes as the global aviation industry is looking to bounce back from a collapse in demand caused by the coronavirus pandemic grounding planes.

"Despite the crisis in global aviation, it is vital for our future that we continue to address climate change and we remain focused on playing our part to reduce the impact we have on the planet," BA chief executive Sean Doyle said in a statement. "Progressing the development and commercial deployment of sustainable aviation fuel is crucial to decarbonising the aviation industry and this partnership with LanzaJet shows the progress British Airways is making as we continue on our journey to net zero," he added. BA, owned by aviation giant IAG, will invest an undisclosed amount in LanzaJet, which starts building its first commercial plant in the US state of Georgia later this year.

The airline will purchase fuel from LanzaJet to



LONDON: People watch as a British Airways Airbus A321-251NX aircraft prepares to land at London Heathrow Airport in west London. — AFP

"power a number of the airline's flights from late 2022", BA said in the statement.

The investment is part of BA's ambition to become a net zero carbon company by 2050. LanzaJet, spun off from US biotech firm LanzaTech last year, combines gasoline with sustainably-sourced ethanol—mainly from agricultural processes—to create cleaner aircraft fuel. Current jet fuel, or kerosene, is distilled from crude oil.

BA joins LanzaTech, Japan's Mitsui and Canada's Suncor Energy as investors in LanzaJet, which is looking into the possibility of having a bio-refinery built in the UK. BA already has a partnership with sustainable fuels technology company Velocys, aiming to convert commercial and household waste into cleaner jet fuel by 2025. IAG plans to invest \$400 million (332 million euros) in sustainable aviation fuel over the next two decades. — AFP

Amazon workers vote in landmark US union push

WASHINGTON: Workers at an Amazon warehouse in Alabama have begun voting on whether to form the first American union at the e-commerce giant, an effort that could pave the way for further unionization in the United States at one of the world's most powerful companies. Amazon is the second-largest employer in the US with an 800,000-strong workforce, most of whom are "essential workers" who cannot do their jobs from home during the coronavirus pandemic.

There have been a series of protests around the United States on safety and working conditions at Amazon, with the pandemic increasing pressure on its distribution network even as profits soar.

Employees at its BHM1 facility in Bessemer, Alabama, notified authorities of their plan to unionize in November. "Working at Amazon is supremely dangerous. The record on Amazon's deadly and dehumanizing working conditions is well established," the pro-union campaign website says.

"Amazon warehouse workers face outrageous work quotas that have left many with illnesses and lifetime injuries." In addition to safety, the campaign is urging employees to vote in favor to improve procedures covering grievances, discipline and termination.

Ballots started to go out by mail on Monday to the 5,800 workers at the Bessemer warehouse, with



In this file photo an Amazon.com Inc. van delivery driver departs a distribution facility in Hawthorne, California. — AFP

voting to continue through March 29 under an order from the National Labor Relations Board.

The count is expected to begin March 30. The campaign is the most serious since 2014 when Amazon workers at a Delaware facility voted against a union, and could spark further efforts to unionize hundreds of thousands of employees in the United States. Unlike in the United States, Amazon workers in many other parts of the world are unionized.

Helmed by the world's richest person Jeff Bezos, Amazon does not officially oppose unions but it has campaigned against the move within the Bessemer workforce. In addition to flyers posted in bathrooms, it has held meetings for workers to make the case against unions and launched a website called "#DollWithoutDues". — AFP

Germany hunts NZ over 'cum-ex' tax fraud affair

FRANKFURT: Germany is hunting a New Zealand man over suspicion he was involved in the "cum-ex" tax fraud scandal that cost European treasuries billions of euros, federal criminal agency BKA said yesterday. Paul Robert Mora, 53, is "strongly suspected of having planned and carried out so-called cum-ex trades for an investor in his function as head of department of a major bank in the years 2006-2008, together with other bank employees as well as a lawyer and tax advisor," the BKA said in a statement.

Under the tax fraud scheme, investors essentially reclaimed tax which had never been paid. First exposed in 2017, the scam involved numerous cooperating participants quickly exchanging stock in companies amongst themselves around dividend day, in order to claim multiple tax rebates on a single payout.

Used across Europe, this practice cost Germany 7.2 billion euros (\$8.7 billion), Denmark 1.7 billion euros and Belgium 201 million euros since 2001, according to an investigation published last October by European media outlets including German public broadcaster ARD and French newspaper Le Monde. In Germany, a change to the tax law in 2012 closed the legal loophole exploited by the practice, though the German finance ministry insists that it was already illegal. — AFP

Dollar drops, as bitcoin nears \$50,000

LONDON: Stock markets posted mixed results, the dollar retreated and oil steadied yesterday, while bitcoin closed in on \$50,000 for the first time as investors reacted to US stimulus and COVID vaccine developments. Asia's main stock indices closed higher, with Tokyo posting a 30-year high, while Europe was largely stable around the half-way stage.

Wall Street ended at new heights overnight but the dollar hit a near three-month low against the British pound yesterday. While stocks are benefitting from expectations of a strong economic rebound, optimism is being curtailed by delays to the huge US stimulus plan.

President Joe Biden's \$1.9 trillion rescue bill is also seen as adding to global inflation worries, which are starting to be fuelled by rising oil prices and the prospect of large consumer spending post lockdowns.

While contributing to dollar weakness, the inflation outlook is helping gold, a traditional store of value. "One can't help that for all of this optimism, the real elephant in the room is what happens if oil prices continue to rise at their current rate," noted Michael Hewson, chief market analyst at CMC Markets UK. Benchmark crude contract Brent North Sea held around 13-month highs above \$60 yesterday thanks to surging demand expectations as economies reopen.

"Oil's fundamentals are looking strong again on both (the) supply and demand side," said Edward Moya, analyst at Oanda trading group. "Despite demand being down about five million barrels year-over-year, optimism is high that vaccine rollouts will have key parts of the global economy return to normal." Bitcoin has meanwhile pushed to a new record-high of \$48,215.83 after winning a huge boost Monday from news that Elon Musk's electric carmaker Tesla had invested \$1.5 billion in the cryptocurrency.

Axi strategist Stephen Innes said that market sentiment in general was buoyed also "by an upbeat set of earnings from the holiday season and vaccine optimism". The inoculation drive "provides the ultimate recovery safety net that will allow people to participate on all those pre-COVID activities like the simple pleasures of going to a movie or having a meal out", he added.

In another sign of upbeat times, crisis-hit Japanese carmaker Nissan upgraded its full-year forecast for the second straight quarter, as the global auto industry shows signs of recovery from the coronavirus pandemic. — AFP