

Business

WEDNESDAY, JANUARY 27, 2021

Pandemic to slash \$22 trillion off global GDP 2020-25: IMF

World economy on stronger footing, but uncertainty high

WASHINGTON: The global economy is expected to see a strong rebound this year but the coronavirus crisis is causing severe damage, IMF chief economist Gita Gopinath said yesterday. "Now at \$22 trillion, the projected cumulative output loss over 2020 to 2025, relative to the pre-pandemic projected levels remains substantial," Gopinath told reporters.

Optimism that new vaccines will bring the pandemic under control and allow economic activity to resume, coupled with stimulus in major economies, has boosted the growth forecast this year to 5.5 percent, she said.

However, the Washington-based crisis lender warned the outlook is beset by "extraordinary uncertainty," and governments will need to continue to act to prevent lasting damage after COVID-19 caused the worst peacetime economic crisis since the Great Depression. The upgrade in growth after the 3.5 percent worldwide contraction in 2020 reflects "expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few

large economies," including the United States and Japan, the IMF said in its latest World Economic Outlook (WEO).

Those developments create "a stronger starting point for the 2021-22 global outlook than envisaged in the previous forecast." However, "much remains to be done on the health and economic policy fronts to limit persistent damage from the severe contraction of 2020 and ensure a sustained recovery."

Surging infections in some countries—including new COVID-19 variants—that led to renewed lockdowns, as well as logistical problems with vaccine distribution, pose "important counterpoints to the favorable news," the report said. And even with the growth, many economies will not recover to their pre-pandemic levels this year, the IMF said.

Stronger growth

The fund urged governments to continue to provide support "until the recovery is firmly underway." In the United States, which approved another large stimulus package at the end of December, the fund expects growth to

be a full two points higher than previously projected at 5.5 percent, which would be the strongest rate since 1984. And newly installed President Joe Biden is pushing for a massive \$1.9 trillion rescue plan that would provide support to families, businesses and struggling state and local governments.

Japan, too, benefits from another aid package approved in December, and the IMF raised the 2021 growth forecast by eight tenths to 3.1 percent. Those stimulus measures also provide "favorable spillovers to trading partners," the report said. The IMF expects China's economy to grow 8.8 percent, slightly slower than the October forecast, while India will surge 11.5 percent, fully 2.7 points higher than previously expected.

Recovery setbacks

In Europe, however, where governments have ordered new lockdowns and even curfews amid surging cases—as well as a new, more infectious variant—the IMF slashed growth forecasts. The euro area growth estimate was cut a full point to 4.2 percent, with significant down-



WASHINGTON, DC: In this file photo Gita Gopinath, the Chief Economist of the International Monetary Fund, speaks with AFP outside of their headquarters in Washington, DC. — AFP

grades for Germany, France, Spain and Italy. While the IMF noted that London's last-minute deal on its exit from the

European Union prevented a key risk to the outlook, the fund cut the forecast for Britain as well. — AFP

Senate confirms Yellen as first female treasury secy

WASHINGTON: The US Senate on Monday voted by a wide margin to confirm Janet Yellen as the first woman to lead the Treasury Department, giving her a key role in Congress negotiations over a huge Covid-19 economic relief package. Yellen is not new to the role of trailblazer, as she also was the first woman to lead the Federal Reserve, from 2014 to 2018, and previously the White House Council of Economic Advisors.

Her immediate job in the first weeks of the new administration will be to help win Congress approval for President Joe Biden's \$1.9 trillion rescue package to secure US economic recovery from the COVID-19 crisis. That will entail convincing skeptical lawmakers that the benefit of more spending outweighs concerns about the country's soaring debt level.

"Neither the President-elect, nor I, propose this relief package without an appreciation for the country's debt burden," Yellen told the Senate Finance Committee at her confirmation hearing last week. "But right now, with interest rates at historic lows, the smartest thing we can do is act big."

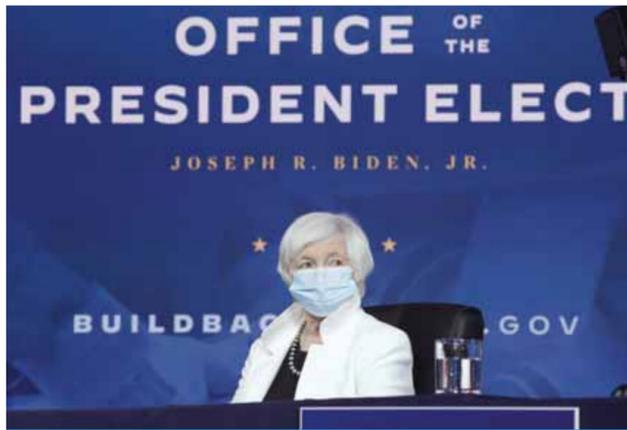
Earlier Monday, Biden said that while he would prefer bipartisan support for his stimulus plan, time is of the essence. "If we don't invest now,

we're going to lose so much altitude in terms of our employment base and our economic growth, it's going to be harder to re-establish it," he said. "We can afford to do it now. As a matter of fact... we can't afford not to invest now."

Senate battle

But Democrats control the Senate only with the tie-breaking vote of Vice President Kamala Harris, so getting the package through may require support from Republicans. Democratic senator Ron Wyden, chairman of the Finance Committee, called Yellen an "exceptional economist" who is "supremely qualified" to lead the Treasury at a critical time. And even Kentucky senator Mitch McConnell, the Republican minority leader, supported Yellen's nomination, despite opposition from more than a dozen members of his party.

But McConnell has steadfastly expressed skepticism about large aid packages and favored more limited steps. Yellen also will have a role in enforcing trade rules, and repairing relations after the multi-front trade wars pursued by former president Donald Trump. In the most contentious relations with China, Yellen last week pledged to use all available tools to address "China's abusive



In this file photo taken on December 1, 2020 US Secretary of the Treasury nominee Janet Yellen looks on during an event to name President-elect Joe Biden's economic team at the Queen Theater in Wilmington, Delaware. — AFP

unfair and illegal practices" that undermine the US economy. She said Beijing has been "undercutting American companies" with a series of policies, including illegal subsidies, dumping of products, theft of intellectual property and barriers to US goods. But while Yellen agreed that "China is clearly, our most important strategic competitor," unlike Trump, she stressed that it will be important "to work with our allies" to combat the challenge.

Biden is having to push Congress for funding while simultaneously get-

ting his government confirmed-Pentagon chief Lloyd Austin won Senate approval Friday—and bracing for turmoil from Trump's impeachment trial. The Senate voted on confirmation of Antony Blinken, Biden's choice for secretary of state, yesterday before senators are sworn in as jurors in the trial. The House of Representatives presented a single article of impeachment to the Senate on Monday accusing Trump of inciting the storming of the Capitol, setting in motion the first-ever impeachment trial of a former president. — AFP

EU chief invites US to work on big tech regulation

BRUSSELS: European Commission President Ursula von der Leyen yesterday urged the United States under President Joe Biden to work with Brussels on regulating the tech giants. "Together, we could create a digital economy rulebook that is valid worldwide: from data protection and privacy to the security of critical infrastructure," she said in a videolink address to the World Economic Forum.

"A body of rules based on our values: Human rights and pluralism, inclusion and the protection of privacy." The EU in December unveiled landmark draft legislation aimed at curbing the power of the internet behemoths that could shake up the way Silicon Valley can operate in the 27-nation bloc.

The move comes as big tech companies are facing increasing scrutiny around the globe, including in the United States, where Google and Facebook are facing antitrust suits. Regulators worldwide are pushing to rein in the ability of firms to dominate markets and are pushing to make them more accountable for content published online. "The business model of online platforms has an impact not only on free and fair competition, but also on our democracies, our security and on the quality of our information," von der Leyen said. — AFP

UK jobless rate hits 5.0% on virus fallout

LONDON: Britain's unemployment rate hit 5.0 percent at the end of 2020, the highest level for more than four-and-a-half years, as coronavirus lockdowns destroyed jobs, official data showed yesterday.

The rate for the three months to the end of November compares with 4.9 percent in the quarter to October, the Office for National Statistics said in a statement. At 5.0 percent, the figure is 1.2 percentage points above the same period a year earlier, to reach the highest level since April 2016, the ONS added. "This crisis has gone on far longer than any of us hoped and every job lost as a result is a tragedy," finance minister Rishi Sunak said.

Analysts expect unemployment to surge further when the UK government's furlough scheme paying the bulk of wages for millions of private-sector workers stops at the end of April. ONS head of economic statistics Sam Beckett noted that job "vacancies, which were rising in summer and early autumn, have been falling in the last couple of months". The ONS added that between February last year, ahead of Britain's first lockdown, and December, the number of



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payroll employees dived by 828,000.

The data comes one day after administrators for collapsed UK department store chain Debenhams said it planned to shut all its outlets, costing around 12,000 jobs. While Debenhams had struggled with fierce online competition long before the coronavirus pandemic, Britain's bricks-and-mortar retailers are in turmoil after a series of lockdowns. It is far from clear when Prime Minister Boris Johnson will lift the current lockdown, with suggestions that it may not occur until around Easter.

The UK government is meanwhile faced

with growing pressure to detail a strategy to reopen schools in England, following a backlash from lawmakers about reports they could remain closed for months.

As for unemployment, "the labor market will probably continue to weaken over the rest of this year, especially once the furlough scheme finishes", Capital Economics analyst Thomas Pugh said. Financial researchers, the EY ITEM Club, predicted that the unemployment rate could shoot up to 7.0 percent by the middle of the year, though that would still represent a better outcome than first expected. — AFP

Amazon to expand tech hub in Boston with 3,000 new jobs

WASHINGTON: Amazon announced plans yesterday to expand its technology hub in the Boston area, creating some 3,000 jobs in the next few years. The Boston hub will add teams working on the Alexa digital assistant, robotics, Amazon Pharmacy and the giant's web services unit.

The company, which already employs some 3,700 people in the Boston area, has leased a new 17-story office tower which is part of the Boston Seaport project. Set for completion in 2024, the complex will include a community dog park, retail space and a new performing arts center.

Rohit Prasad, vice president and head scientist for Alexa at Amazon, said the new hub will expand research and development for the artificial intelligence system. "Much of the technology that makes Alexa smarter every day is invented in Boston," Prasad said. "Our teams here play a key role in driving Amazon's innovations."

Amazon's workforce has been surging in recent years and includes some 800,000 in the United States, as the company expands its e-commerce, web services, streaming and other projects while at the same time drawing heightened scrutiny from antitrust enforcers. — AFP

