Kuwait Times
Established 1961
TUESDAY, NOVEMBER 23, 2021
Business

Known for bridging divides, Powell to remain at US Fed

'Jay' managed to unite inflation hawks and doves on Fed's policy-setting panel

WASHINGTON: A wealthy Republican with no formal economics training, Jerome Powell yesterday nonetheless won support from Democratic President Joe Biden to lead the Federal Reserve for a second term. The 68-year-old former investment banker has shown skill in navigating Washington's political quagmire, receiving praise and criticism from all sides while maintaining the central bank's independence.

If confirmed by the US Senate, Powell will continue to lead the Federal Reserve for another four years, charged with guiding the world's largest economy through its recovery from the pandemic, while ensuring jobs are restored without further inflaming inflation.

In re-nominating Powell, Biden dismissed calls from progressive Democrats to replace him with a more liberal choice. "We can't just return to where we were before the pandemic, we need to build our economy back better," the president said in a statement. "I'm confident that Chair Powell and (vice chair nominee Lael) Brainard's focus on keeping inflation low, prices stable and delivering full employment will make our economy stronger than ever before."

Powell first took the helm of the US central bank in 2018 after he was tapped by then-president Donald Trump to replace Janet Yellen. He then withstood months of withering attacks from Trump for raising interest rates. Powell has since won plaudits for his focus on ensuring the benefits of economic growth reach the most marginalized Americans, and for leading a shift in Fed policy to achieve that. But liberals have attacked him for not doing more to rein in banks and to contribute to the fight against climate change.

Building consensus

During his term, Powell, who prefers to be called "Jay," managed to unite the inflation hawks and doves on the Fed's policy-setting committee. He presided over four interest rate increases by the Federal Open Markets Committee in his first year, ignoring public criticism from Trump, who accused him of harming the economy.

When the COVID-19 pandemic landed on American shores in early 2020, Powell and the Fed wasted no time. The bank slashed its benchmark rate to zero by mid-March, and rolled out new lending facilities and a massive bond buying program to ensure the US financial system would not seize up, as it did in 2008.

Those efforts, together with trillions of dollars in federal stimulus spending, were largely successful in preventing a more severe, long-lasting downturn. The unemployment rate shot up to 14.8 percent in April 2020 but had declined to 4.6 percent last month, though that was still more than a percentage point above where it was before the pandemic. Powell is now being accused by some politicians and economists of letting the economy run too hot as labor shortages and global shipping and supply bottlenecks push inflation higher. After languishing for years below the Fed's two-percent target, the consumer price index jumped to 6.2 percent in October, the highest in more than three decades.

The Fed this month started to slow its stimulus to the economy, reducing its monthly bond purchases.

But Powell has said the price spike is driven by temporary factors and the Fed will not raise interest rates until it has ended the bond-buying program, likely around the middle of the year. Even some liberal economists think it is time for the Fed to change its message and prepare markets for one or as many as three rate hikes next year.

Gradual tightening

While the United States has seen strong jobs gains, unemployment for African Americans was at 8.8 percent in August, and 6.4 percent for Hispanics-a fact Powell never fails to mention in his public appearances. He stresses the importance of keeping economic growth going for as long as possible to ensure gains are shared widely, and in a break from the aloofness often seen among Fed chairs, has sought out the views of workers and small businesses nationwide.

Prior to his appointment to the central bank in 2012 by then-president Barack Obama, Powell was a scholar at the Bipartisan Policy Center think tank. The native of Washington served as assistant secretary of the Treasury in charge of financial institutions for a brief period under President George H.W. Bush starting in 1992. An attorney rather than an economist, Powell is among the wealthiest people ever to lead the Fed.

He disclosed a net worth earlier this year of between $20 million and $55 million after nearly a decade as a partner at the Washington-based private equity giant Carlyle Group. Powell was not immune from the controversy over stock market activity by Fed officials, after disclosure forms showed he took $1 million to $5 million out of an investment fund last year. —AFP

WASHINGTON: Federal Reserve Board Chairman Jerome Powell arrives to speak at a press conference in this file photo. President Joe Biden has nominated Powell for a second term as Federal Reserve Chair yesterday. —AFP

All new buildings in UK to have e-car charge points from 2022

BRITAIN: Britain will make electric car chargers compulsory for new buildings in England from 2022, as it switches away from high-polluting vehicles, Prime Minister Boris Johnson said yesterday. Johnson, fresh from hosting the COP26 climate change summit, told business leaders that he will legislate to compel charging points in new homes, supermarkets and workplaces in England, as part of his carbon-slashing plans.

The new legislation will create 145,000 new charging points per year and apply also to major renovation projects. "We will require new homes and buildings to have electric vehicle charging points," Johnson told the annual gathering of the Confederation of Business Industry (CBI).

The move is a step towards banning new sales of diesel and petrol cars in the UK from 2030, as part of efforts to reach net zero carbon emissions by 2050. Johnson wants Britain to lead global efforts to transition to net zero in order to help the economy recover from pandemic fallout. "This is a pivotal moment-we cannot go on as we are," Johnson added. "We have to adapt our economy to the green industrial revolution.

"We have to use our massive investment in science and technology and we have to raise our productivity and then we have to get out of your way." There are currently about 25,000 charging points in Britain. However, the Competition and Markets Authority regulator estimates that more than 10 times this amount will be needed by 2030. —AFP

SOUTH SHIELDS, UK: Britain's Prime Minister Boris Johnson is pictured on the screen of a Television camera operator as he speaks at the Confederation of Business Industry (CBI) annual conference, at the Port of Tyne, in South Shields, north east England yesterday. —AFP

UK rail sector on track to diesel-free trains

LONDON: As host of the recent COP26 climate summit, Britain's drive to help slash global carbon emissions will involve keeping to its own target of phasing out diesel trains over the next two decades, industry bodies and observers say. According to the latest government data, about 29 percent of the UK train fleet still runs on diesel and freight trains run almost entirely on it. On Thursday, the government unveiled plans to electrify an additional 180 miles (288 kilometers) of track in a new rail strategy. This would help "to meet the ambition of removing all diesel-only trains from the network by 2040", the Department for Transport said.

Diesel dependence

While electric trains emit 60 percent less carbon than their diesel counterparts, only 42 percent of the UK rail network is currently electrified, according to official data. That places the UK far behind European neighbors, such as the Netherlands, where 76 percent of the network is electrified.

With the current surge in electricity prices, some electric-run operators have recently been forced to revert to diesel locomotives, trade body Rail Freight Group (RFG) observed last month. While the RFG described the switch back to diesel as "regrettable", it insisted it was only temporary.

Its director general, Maggie Simpson, highlighted a need for "more electric wires to support the investment in newer locomotives". Britain's rail freight is presently 90 percent hauled by diesel engines. "Of course, in the long term, we need to move to a decarbonized economy, so more use of electric traction is going to be a huge part of that," Simpson said.

Last month saw the launch of a new fully-electric passenger train in the UK-Lumo's London-Edinburgh service carries no auxiliary diesel engine. Train operators are taking the opportunity to transition also via hybrid models in much the same way as carmakers. Chiltern Railways, which runs passenger services between London in southeast England and the country's Midlands, recently announced investment in a hybrid battery-diesel train, developed by rolling stock owner Porterbrook and Rolls-Royce, the maker of aircraft engines.

Hydrogen future

As well as increasing electrification of its rail tracks, Britain is in the early stages of producing trains that can run on the renewable energy hydrogen. French train manufacturer Alstom has announced plans to deliver the UK's first-ever fleet of new hydrogen trains, as opposed to rolling stock that has been remodeled.

"Rail is already the lowest emission transport mode, but we can do even more," Nick Crossfield, Alstom's managing director UK and Ireland, said as the group this month unveiled its hydrogen project in collaboration with British trains owner Eversholt Rail. The COP26 event in Glasgow-attended by Britain's Prince Charles who is a committed environmental campaigner-showcased a hydrogen-powered train.

HydroFLEX, developed by Porterbrook and the University of Birmingham with the help of UK government funding, is a remodeled train that its designers claim can carry sufficient hydrogen to match the performance of a diesel engine. While Glasgow Central train station displayed HydroFLEX to the general public, the nearby COP26 summit focused on ending sales of road vehicles that run on fossil fuels. —AFP

LONDON: A London North Eastern Railway (LNER) train is pictured at King's Cross rail station in London. —AFP

Telecom Italia shares soar after US buyout bid

MILAN: Shares of Telecom Italia (TIM) soared yesterday after receiving a "friendly" buyout offer from US private equity fund KKR valuing the operator at around 10.8 billion euros.

Shares in Italy's largest telecom rose as high as 0.45 euros on the Milan bourse, up almost 29 percent from Friday's closing price. The public tender offer by New York-based Kohlberg Kravis Roberts regards the entire share capital of the company. TIM said the offer would be for an initial 0.505 euros a share.

Italy's economy ministry saluted the interest by KKR as "positive news for the country" in a statement Sunday and said a working group would be formed to study the matter.

The ministry said it was necessary to ensure that such a project would be compatible with the rollout of ultra-wideband in the country. Any sale would need the approval from government stakeholders, as TIM's network is considered a national strategic asset. TIM, which called an emergency meeting of the board to discuss the offer on Sunday, said the proposal was subject to around four weeks of due diligence and would require the backing of holders of least 51 percent of both ordinary and savings shares. KKR already has a 37.5 percent stake in FiberCop, a joint venture with TIM and Italian internet provider Fastweb to provide fiber optic broadband across Italy.

The takeover proposal comes amid news reports that shareholders-the largest of which is France's Vivendi-are putting pressure on TIM's top management following disappointing company results.

TIM would also require clearance by Italian government stakeholders. "The indication of interest was qualified by KKR as 'friendly' and aims at obtaining approval by TIM's directors and support by the company's management," the statement said. KKR already has a 37.5 percent stake in FiberCop, a joint venture with TIM and Italian internet provider Fastweb to provide fiber optic broadband across Italy.

A spokesman for Vivendi had earlier denied it was in discussions with any funds, including CVC, which had also been named in speculation about TIM's future. "Vivendi is a long-term investor in Telecom Italia and has been so since the beginning. Vivendi denies strongly having had any discussions with any funds, and more specifically with CVC," he said. "Vivendi reiterates its desire and willingness to work alongside Italian authorities and public institutions for the long-term success of TIM." —AFP

ROZZANO, Italy: This file photo shows the logo of Italian telecommunications company Telecom Italia (TIM) at the company's headquarters in Rozzano, south of Milan. —AFP

Santiago stock exchange soars after Chile vote

SANTIAGO: Santiago's stock market jumped 9.25 percent on its yesterday's open following far-right candidate Jose Antonio Kast's lead over a leftist rival in the first round of the country's presidential election. Chile's peso also rebounded 3.5 percent to 800 to the US dollar. Fiscal conservative Kast led on almost 28 percent with nearly all votes counted from Sunday's poll, two percentage points ahead of Gabriel Boric, who represents a left-wing coalition that includes the Communist Party.

The pair will face off in next month's run-off to decide who will replace the unpopular conservative Sebastian Pinera as Chile's next president. Kast and Boric represent polar opposites in economic terms, with the former a proponent of the neo-liberal model Chile has followed for more than three decades, while the latter has vowed to implement a welfare state. As well as suffering the effects of the coronavirus pandemic, Chile has been rocked by social upheaval that broke out in October 2019 as thousands of people took to the streets to demand greater equality. Chile's GDP is up 11 percent this year, although experts attribute that mostly to an adjustment that accounts for the drop caused in 2020 by the pandemic.

In 2022, when the new government will take over, growth has been predicted at 1.5 percent to 2.5 percent. —AFP