

Business

US retail sales flatline in July as gas prices fall

Fed's next policy meeting will take place in late September

WASHINGTON: US retail sales held steady in July as gas prices fell sharply, but the new data released Wednesday showed consumers are still spending, keeping the pressure on the Federal Reserve to continue its aggressive interest rate hikes.

Americans flush with savings have been a key driver of the US pandemic recovery, and the Fed is keeping a careful eye on economic data as it battles to quash red-hot inflation without tipping the world's largest economy into recession.

While the headline data of the closely-watched report flatlined at \$682.8 billion, rather than rise slightly as economists had expected, sales increased 0.7 percent when gasoline and motor vehicles are excluded from the calculation, the Commerce Department said.

"Despite the flat headline reading, the core retail sales figures in July show the consumer has staying power," Kathy Bostjancic of Oxford Economics said. "Today's solid report keeps the Fed in an aggressive policy tightening mode."

The central bank has raised the benchmark borrowing rate four times this year, including two massive three-quarter point increases in June and July after US annual inflation spiked to 9.1 percent in June.

Price relief

The inflation rate slowed in July to 8.5 percent, but policymakers have made it clear in recent com-

ments that they are not done with their efforts to cool the economy.

Still, Bostjancic said the Fed might dial back the pace of increases. "With inflation, commodity prices, and inflation expectations easing, the Fed might decide to scale back the rate hike to 50bps (basis points)," she said in an analysis.

The Fed's next policy meeting is in late September. US gas prices at the pump soared in the wake of the Russian invasion of Ukraine in late February, but in recent weeks have been trending down and have fallen by more than \$1 a gallon after hitting an all-time high over \$5 in mid-June, squeezing family budgets.

While spending on automobiles fell 1.7 percent and gasoline stations dropped 1.8 percent, Americans ramped up spending on furniture, food, electronics and at online stores.

Sales of building materials and garden supplies jumped 1.5 percent, but at clothing and department stores they fell. The data are seasonally adjusted but do not take into account changes in prices, so as costs rise a shopping dollar does not stretch as far.

Still, the report shows the stockpile of savings is helping consumers deal with the higher prices, and bodes well for economic growth, said Ian Shepherdson of Pantheon Macroeconomics. "The big picture here is favourable," he said. "If you're looking for recession, you won't find it here." —AFP



BETHESDA, United States: In this file photo a jogger runs past gas stations in Bethesda, Maryland. US retail sales held steady in July as gas prices fell and spending on automobiles dropped sharply. —AFP

Norway central bank hikes interest rate

OSLO: Norway's central bank raised Thursday interest rates by half a percentage point to 1.75 percent, and flagged another hike in September as it seeks to get surging inflation under control. The move was double the quarter point increase that had been signalled in June, and comes after inflation accelerated to an annual rate of 6.8 percent in July.

"A markedly higher policy rate is needed to ease the pressures in the Norwegian economy and to bring inflation down towards the target," Norges Bank Governor Ida Wolden Bache said in a statement. Norway's central bank targets 2.0 percent annual inflation.

But with rises in prices becoming broader based than just volatile energy products, there have been mounting concerns that inflation could persist at higher levels than earlier expected.

"A faster rate rise now will reduce the risk of inflation becoming entrenched at a high level and the need for a sharper tightening of monetary policy further out," the central bank statement said.

After having long kept its policy rate at zero to cushion the economic impact of the Covid-19 pandemic on the Norwegian economy, Norges Bank was one of the first Western central banks to begin raising rates last September.

Thursday's increase was the fifth in the past year, and the second in a row of a half percentage point, instead of the usual quarter-point moves. Data also released Thursday by the national statistics office showed the Norwegian economy, excluding the offshore oil and shipping sectors, bounced back into growth with a 0.7 percent expansion in the April-June period.

The country's economy contracted by 0.6 percent in the first quarter of the year. The Norwegian government expects the nation's economy will grow by a vigorous 3.6 percent this year. —AFP

UK pet owners face grim choices amid soaring costs

HOLYWELL, United Kingdom: Unable to afford the cost of cremation for his much-loved dog Khan under the weight of sharply increasing living costs, David McAuliffe turned to a social media group offering help for under-pressure pet owners.

With inflation in the UK at a 40-year high, millions are feeling the pinch from soaring bills. "Especially the way things are going: the gas, the electric, food prices, fuel everything is a struggle," said McAuliffe, as he sat with his partner Julie Fielding at Pet Cemetery in Holywell, North Wales.

"(But) the dogs rely on you for everything and you've got to do right by them at the end of the day." The pair, who live on welfare, turned

to a Facebook group that channels donations to families who otherwise would not be able to afford expenses such as cremations, which are becoming pricier as fuel bills soar.

It costs over £200 (\$241) to cremate a medium-sized dog, with prices up 10 percent over the last two years. Jason Ward, general manager of The Pet Cemetery, said most owners want their pets to have a private cremation so they can take the remains to bury or keep at home.

"The alternative, for families who don't have a private cremation, is for their body to be disposed of en masse with other pets," he said, adding they are often collected in bags from veterinary surgeries with other clinical waste.

During Britain's lengthy pandemic lockdowns, furry companions were many people's main crutch and source of companionship. That strong bond is on full display at Pet Cemetery, where many plots serve as the resting place for both pets and owners.

The ashes of McAuliffe's mother and Fielding's sister are already laid alongside Khan and their previous dog Flash, and it is the cou-

ple's final wish to be interred with them. "When the time comes, that is where we want to rest," they said.

Costs of living

It is not only pet cremation that has become more expensive. McAuliffe and Fielding, who have two other dogs, have seen insurance and other costs increase. "You just do what you have to do and take care of your pets the best you can," said McAuliffe.

"If we have to go without, then we'll go without. As long as our pets are OK." Pets that have recently passed away often required emergency medical care soon before their death—delivering a brutal financial double blow to an already grieving family.

Sometimes families have no choice but to send their pet's body to be disposed of as waste, which Ward says can cause "distress". "(Pets) are a member of the family, they contribute a great deal to our well-being, and during the pandemic all families have spent more time with their pets," he said. —AFP

Germany to lower tax on gas to help consumers

BERLIN: Chancellor Olaf Scholz said on Thursday that Germany would temporarily slash the sales tax on gas to help consumers facing soaring bills amid a crunch in Russian energy supplies. Scholz said the move to cut the VAT on gas to seven percent from 19 percent currently was intended to offset an energy surcharge in the wake of the Ukraine war expected to cost households hundreds of euros.

"The discounted sales tax will apply as long as the gas surcharge is being applied, that is until March 31, 2024," he told reporters. "With this measure we are offering gas customers relief that is significantly larger than the extra burden imposed by the surcharges."

Scholz said the government expected energy companies "to pass on this reduction in full to consumers," while pledging further state relief measures "to ease the pressure" on households. "The question of social justice is decisive so that the country remains united in this crisis," Scholz said.

Trading Hub Europe, a non-profit company of energy network operators in Germany, on Monday said the surcharge had been set at 2.419 cents per kilowatt hour. For a family of four with an annual average energy usage of 20,000 kwh, this would come to about 483.80 euros (\$491.85) before goods and services taxes.

The surcharge is aimed at sharing out the surging costs borne by energy importers after Russia drastically choked off gas supplies to Germany fol-



BERLIN: File photo shows a Berlin resident cooking dinner on a gas stove. German Chancellor Olaf Scholz said on August 18, 2022 that Germany would "temporarily" slash the sales tax on gas to help consumers amid a crunch in Russian energy supplies. —AFP

lowing its invasion of Ukraine. Gas importers have so far swallowed the additional costs themselves, but a new rule agreed by the government allows them to pass on ballooning costs via the levy to households from October 1.

Scholz has attempted to reassure Germans that they will receive state aid to help cushion the blow

of the additional costs, repeatedly intoning: "You'll never walk alone." The centre-left-led coalition has expressed fears that the soaring bills could lead to social unrest in Europe's top economy.

Far-right and left-wing parties have announced street protests beginning in September demanding relief for German consumers. —AFP

Sweden to help consumers facing electricity costs

STOCKHOLM, Sweden: Sweden's government on Wednesday vowed to compensate households and companies for soaring electricity costs in the wake of the Ukraine war, to the tune of up to 60 billion kronor (\$5.76 billion).

At least half of the amount was to go to households who could expect to be compensated "this winter", Prime Minister Magdalena Andersson told reporters.

"We have electricity and gas prices at a level we've never seen

before", she said.

On Wednesday, electricity on the Nordpool market hit a record 5.69 kronor per kilowatt hour in southern Sweden. It was expected to fall back slightly to 5.50 kronor on Thursday.

Swedish electricity prices have soared after Russia drastically curtailed gas supplies to Europe following its invasion of Ukraine.

Gas prices have thereby soared, at a time when there is little wind energy being generated in northern Europe due to current weather conditions.

Svenska Kraftnat, the state-owned operator of the national grid, has therefore been raking in soaring so-called capacity fees, which have left it with a surplus despite massive investments in its grid, Andersson said.

That surplus should make its way back to consumers, Andersson said,

adding: "The higher the electricity price goes, the higher the amounts we're talking about".

Hydro power accounts for about half of the electricity generated in Sweden, which also relies on nuclear and wind power.

It is not yet known what form the compensation would take nor when it would be introduced, but the government said measures could include lower electricity prices as well as direct refunds to households and companies.

The government has tasked Svenska Kraftnat with drawing up a concrete proposal by November 15.

The Social Democratic government's announcement comes just three weeks ahead of legislative elections, with opinion polls putting the left and right blocs neck-and-neck. —AFP

Nigerian electricity workers suspend nationwide strike

LAGOS: Utility workers in Nigeria have suspended a nationwide strike that had thrown parts of Africa's most populous nation into darkness, a union leader said Thursday. The National Union of Electricity Employees had called the nationwide industrial action on Wednesday morning.

It said the strike was to compel the government to honour a 2019 agreement to pay retired workers of a former state-owned electricity company. Power cuts were soon after reported in the economic capital Lagos, in the northern city of Kano and in the oil hub of Port Harcourt.

After a scheduled meeting late on Wednesday with the labour minister and other government representatives, "we suspended the strike," union leader Joe Ajaero told AFP. He said the government asked for two weeks to look into their demands.

"Normal operation will be restored immediately. But if after two weeks nothing is done we will resume the strike," said Ajaero. While the country has about 7,000 megawatts of electricity available, it distributes less than 4,000 because of a lack of technical capacity, resulting in patchy supplies.

The national grid has also suffered many collapses since the start of the year.

Many homes and companies depend on diesel-powered generators, which means higher operating costs. —AFP