

Business

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NEW YORK: Traders work before the closing bell at the New York Stock Exchange (NYSE) on Friday at Wall Street in New York City. — AFP

US consumers, industry falter in Aug

Economic outlook dims amid growing trade war worries

WASHINGTON: US consumer spending slowed sharply in August, according to the latest government data Friday, suggesting turmoil from President Donald Trump's trade wars was hitting home for the general public. And in another sign trade tribulations are weighing on American industry, demand for big-ticket manufactured goods also showed unwelcome weakness, economists said.

The new data Friday caused some economic forecasters to cut their third-quarter GDP growth estimates sharply, and they also were likely to exacerbate disagreements among US central bankers over the path of interest rates. Federal Reserve policymakers are increasingly divided over the direction of monetary policy but markets expect they will vote to cut the benchmark lending rate again this year to cushion the trade war's impact on the economy.

But the data also showed underlying inflation perking up by the most in seven months on an annual basis in August, which economists said could put the Federal Reserve in a difficult position as it seeks to keep the longest economic expansion on record, now in its 11th

year, on track. The Fed last week cut interest rates for the second time this year, citing the ongoing risks from the Trump administration's nearly 15-month trade war with China and slowing global growth. The US central bank lowered borrowing costs in July for the first time since 2008.

"We still expect the Fed will cut rates in the fourth quarter, but squaring this soft read on the consumer, business investment and a slight rebound in underlying inflation admittedly pulls the Fed in opposite directions," said Tim Quinlan, a senior economist at Wells Fargo Securities in Charlotte, North Carolina. Consumer spending, which accounts for more than two-thirds of US economic activity, edged up 0.1 percent last month as an increase in outlays on recreational goods and motor vehicles was offset by a decrease in spending at restaurants and hotels.

On one hand, a key component of the Federal Reserve's preferred inflation measure of ticked higher in August for the third month in a row, although it remains below the Fed's two percent target, according to Commerce Department data. That could bolster argu-

ments against cutting interest rates again.

But on the other hand the decline in consumer spending and weakness in durable goods orders suggest the world's largest economy is slowing faster than expected, suggesting easier interest rates are needed to boost it. Ian Shepherdson of Pantheon Macroeconomics said Friday said the trade war made consumers "nervous" and "the consumer boom is coming to an end, rapidly." The Commerce Department said disposable incomes adjusted for inflation rose 0.4 percent in August, the biggest increase since February, suggesting consumers have plenty of cash available.

But spending slowed to show a tepid 0.1 percent gain, its smallest monthly pace since February. Compared to the same month last year, the increase was the weakest recorded since December 2018.

Forecasts slashed

As a result, savings rose to \$1.36 trillion, the highest level since March, meaning American consumers are holding onto their cash. Meanwhile, August appeared at first glance to be a better-than-expected month for US

manufacturing, with a second straight sales gain for military aircraft and equipment, according to a Commerce Department report.

Together with a boost in sales of primary metals, overall new orders for big-ticket, US-made items rose 0.2 percent, far better than the one percent drop economists had expected. But the data show other industries had a painful month, with notable declines for civilian aircraft, autos, communications equipment, electronics and appliances. A measure seen as a proxy for business investment, and a sign of future business activity, also fell in August after recording a flat July.

Taking the developments into account, Macroeconomic Advisers slashed their third-quarter GDP forecast by 0.6 percentage point to 1.6 percent about half what it was at the start of the year.

Fed Chair Jerome Powell last week said trade policy tensions, which "have waxed and waned, and elevated uncertainty is weighing on US investment and exports," adding that US central bank contacts had told policymakers that trade policy uncertainty "has discouraged them from investing in their businesses." — Agencies

Thomas Cook's home city looks to future

PETERBOROUGH, United Kingdom: "Most of us in Peterborough know somebody who works for Thomas Cook," said Phil Dobbs, a human resources manager who works in the city, home to the collapsed travel firm.

Peterborough in Cambridgeshire, eastern England, has rushed this week to help the 1,000 staff who lost their jobs early Monday when Thomas Cook filed for bankruptcy. "Thomas Cook has been in the city for forty years and it is a blow to lose so many jobs," said John Holdich, the Conservative leader of Peterborough City Council.

"They have been losing jobs over the years as they have modernized but 1,000 jobs in one go is a blow to the city and it's got a human cost," he told AFP in an interview. "It's not just 1,000 jobs to Thomas Cook—it's all those to supporting Thomas Cook in terms of people that repair their

computers and clean the offices and so on."

The shock failure of the travel giant, which was plagued by huge debts, sent shockwaves across Britain and the world-leaving 600,000 passengers of various nationalities stranded abroad and 22,000 staff worldwide without a job. "It's a real blow for the economy. It probably doubled the number of job seekers" in the city, added Dobbs.

'Gutted'

In Peterborough, whose center is dominated by the imposing 12th-century gothic cathedral, local authorities and businesses are racing to help Thomas Cook's former employees. Stuck to a window at one of the city's Thomas Cook outlets, a sheet of paper-alongside advertisements for sunny travel destinations—informs customers of its closure. "I'm really gutted for all the people that are stranded and all the people that have lost their jobs," Tammy Beckwith, 31, told AFP. "All of a sudden everyone's affected. It's upsetting, I just feel for them all."

Kelly Swingler, 39, founder of local HR agency Chrysalis Crew, told AFP she spotted a Facebook jobs appeal by redundant workers on Monday—and sprang into action

to offer help finding alternative work. "We are offering Thomas Cook employees CV reviews, interview support, some career advice and basically to give them somebody to offer them a listening ear and get them through this difficult time," Swingler said. "Thomas Cook have always been one of the largest employers locally and I've had lots of friends and family that have worked there since the head office moved to Peterborough back in the 1970s."

Elsewhere in the city, businesses have lined up to offer free assistance to beleaguered workers, many of whom have been with Thomas Cook for decades. "I'm very, very proud of our city, the way they've come together," said Holdich. "Free haircuts, free taxi rides, free bus rides... you name it, whether it's firms or individuals, they've really come behind this and supported those that have lost their jobs."

Local football club Peterborough United has meanwhile offered redundant workers free tickets for their home game on Saturday against AFC Wimbledon.

Thomas Cook formerly sponsored the club, which plays in English football's third tier and is managed by Darren Ferguson, son of former Manchester United leg-



PETERBOROUGH: People walk past a closed-down branch of the global travel group Thomas Cook, three days after the company filed for bankruptcy, in Peterborough, central England. — AFP

endary boss Sir Alex.

'Writing on the wall'

Around 9,000 Thomas Cook workers have lost their jobs in Britain, although some have been retained by liquidators to help oversee the winding-down of the business. Authorities in Peterborough, which lies

approximately 100 kilometers north of London and has a population of 200,000, are holding a jobs fair on Wednesday to help find new positions for those affected. Britain's once world-renowned travel operator collapsed after it failed to raise sufficient funds, buckling under high costs and soaring debt after a series of mis-timed mergers. —AFP