

# Business

SUNDAY, MAY 24, 2020

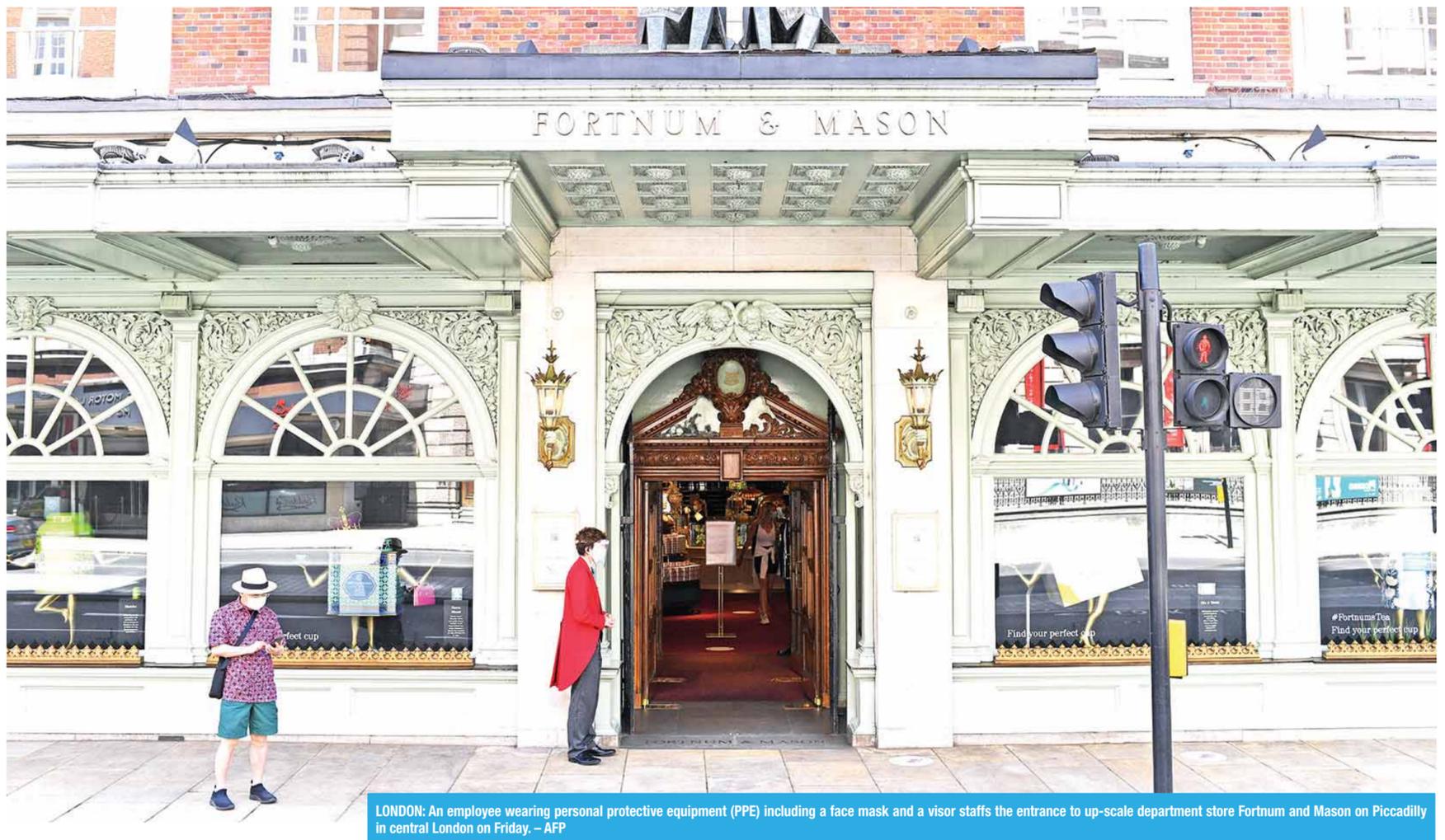
**10** Japan's FM, CB chief vow to use all tools to fight virus fallout



**11** NBK launches Eid guide, covering key services



**11** Italy's cafes, shops caught between rock and hard place



LONDON: An employee wearing personal protective equipment (PPE) including a face mask and a visor staffs the entrance to up-scale department store Fortnum and Mason on Piccadilly in central London on Friday. — AFP

## UK's debt soars to highest since 1963

### Deficit for 2019/20 revised up to 62.7bn pounds

LONDON: A measure of British public debt leapt to close to 100 percent of the country's economic output in April, its highest in nearly 60 years, and retail sales slumped by a record 18 percent as the coronavirus crisis hammered the economy.

Government borrowing of 62.1 billion pounds (\$75.80 billion) in April alone was just a fraction lower than its total for the whole 2019/20 financial year. It was also far higher than a median forecast of 40 billion pounds in a Reuters poll of economists.

On top of that, March's borrowing was revised up sharply to almost 15 billion pounds as the government's emergency job-saving scheme began and tax revenues were revised down. That took the stock of public debt to nearly 98 percent of gross domestic product, also reflecting a lower estimate of the size of the economy based on a recent coronavirus scenario by Britain's budget forecasters.

crisis" and jobs would be lost in the "days, weeks and months to come".

"The double whammy of the precipitous fall in economic activity and the government's measures to combat the crisis has already pushed borrowing to alarmingly high levels," Ruth Gregory, an economist with Capital Economics, said.

"While the small easing of the lockdown on 13th May probably meant the government did not have to borrow quite as much this month as in April, it's clear the government will still have to borrow a few hundred billion pounds this year."

Bank of England Deputy Governor Dave Ramsden told Reuters that an economic recovery later this year could be slower than in a central bank scenario published earlier this month, and he pointed to several risks of long-term damage.

#### Borrowing costs down

"While there is significant pressure on the public finances, there are no signs that the government is struggling to find the cash," Charlie McCurdy, a researcher at the Resolution Foundation think-tank, said.

British government borrowing costs over two and five years fell to new record lows as debt markets opened on Friday. "It would therefore be wrong to reduce coronavirus support measures prematurely," McCurdy said.

Central government spending leapt by 54 percent to over 109 billion pounds while receipts fell about 26 percent to 45.6 billion pounds. The ONS also said British retail sales fell by the most on record in April as much of the sector was shuttered by the government's coronavirus lockdown.

Sales volumes slumped 18.1 percent in April from March, a slightly bigger fall than forecast in the Reuters poll. James Smith, an economist with ING, said there might not be a quick bounce-back for retailers when the lockdown is lifted. "Recent surveying from YouGov showed that just under half of people would be uncomfortable with returning to a clothing shop, although the jury is out on whether the public will become more relaxed by the time retailers do reopen next month," he said.

The volume of clothing sales in April plummeted by 50.2 percent when compared with March 2020, which had already fallen by 34.9 percent on the previous month.

But the share of spending that was done online jumped to 31 percent of the total, a big increase from 22 percent in March. Fuel sales tumbled by a record 52 percent, reflecting the impact of the government's lockdown order. But alcohol stores showed an increase in sales, up 2.3 percent. — Reuters

### All 50 US states shed jobs in April

WASHINGTON: Unemployment rates rose and total employment fell in all 50 US states and the District of Columbia in April as efforts to contain the coronavirus pandemic forced businesses to close across the country, the Labor Department said on Friday.

The department's Bureau of Labor Statistics said 43 states set record-high rates of unemployment last month, with the highest being in Nevada, the state with the greatest reliance on the hard-hit food services and hospitality industry. Nevada's jobless rate surged by 21.3 percentage points from March to 28.2 percent, which was nearly double the national rate of 14.7 percent in April.

The monthly breakdown of state-level nonfarm employment and jobless rates, published two weeks after the national payrolls report, painted a picture of widespread but nonetheless uneven devastation caused by the spread of COVID-19, the respiratory illness triggered by the novel coronavirus.

The May 8 payrolls report showed a record 20.5

million jobs were lost in April, the steepest plunge in US employment since the Great Depression. Friday's report indicated more than a quarter of those job losses were concentrated in three of the largest US states: California, which shed 2.3 million jobs; New York, which has seen the largest number of US COVID-19 cases and deaths and lost 1.8 million positions; and Texas, which has suffered a double blow from plunging oil prices and lost 1.3 million jobs. In Nevada, home to the global gambling mecca of Las Vegas, half of the nearly 245,000 jobs lost in April were in the leisure and hospitality sector. That industry has suffered the greatest losses nationally from the reductions in travel and widespread closures of dine-in restaurants during a month when stay-at-home orders were deployed broadly.

The leisure and hospitality sector losses also took a major toll on Hawaii, which was one of only three states with an unemployment rate above 20 percent - Nevada and Michigan were the other two. The Pacific island state lost more than 55 percent of leisure and hospitality jobs last month, accounting for 57 percent of all jobs lost in that period.

In Michigan, more than one of every five jobs was eliminated, at least temporarily. The leisure and hospitality sector led the declines there, too, but a quarter of the state's losses came in the manufacturing and construction sectors.

#### Layoffs persist

Layoffs have persisted in May even as all 50 states have reopened businesses to one degree or another. On Thursday, the BLS reported more than 2.4 million people filed for unemployment benefits for the first time last week and those continuing to receive jobless relief payments topped 25 million in the week ended May 9.

That data suggests the worst may not be over for the hardest-hit states such as Nevada, Hawaii and Michigan. The number of continued claims rose in all three, including a 31 percent week-over-week increase in Hawaii. Economists believe that progress in driving down infection rates will be an important factor behind the success of state re-opening efforts.

On that front, at least, both Hawaii and Nevada appear to be leaders, and they are among just eight states to have shown three straight weeks of declines in the 7-day average of new cases. Michigan is among 20 states that have seen declines in two of the past three weeks. — Reuters



MIAMI BEACH, Florida: Protesters stand together asking the state of Florida to fix its unemployment system on Friday in Miami Beach, Florida. — AFP



#### Retail sales slump

#### Wage cost

The United Kingdom has drawn up plans to require employers to cover 20 percent to 30 percent of furloughed employees' wages from August to reduce the vast burden of the coronavirus crisis on government finances, The Times newspaper reported. The United Kingdom on May 12 extended its job retention scheme - the centerpiece of its attempts to cushion the coronavirus hit to the economy - by four months but told employers they would have to help to meet its huge cost from August.

"The Treasury has drawn up plans that would require employers to cover between 20 and 30 per cent of people's wages," The Times said. "They would also be required to cover the cost of employer's national insurance contributions, on average 5 per cent of wages."

Finance minister Rishi Sunak is expected to announce the changes next week, The Times said. Sunak said on Friday that Britain was facing a "very serious economic