

# Business

SUNDAY, JANUARY 24, 2021

## Double-dip Europe recession is increasingly inevitable: Survey

### UK economy faces another recession on virus curbs

**BRUSSELS:** A slowdown in eurozone business activity accelerated in January, making a new recession almost certain as the COVID-19 pandemic continues to batter the economy, a key survey showed Friday. The closely watched PMI index compiled by IHS Markit is considered the earliest indicator of the state of the economy and the latest reading confirmed fears that the year-old virus crisis is still going strong.

"A double-dip recession for the eurozone economy is looking increasingly inevitable as tighter COVID-19 restrictions took a further toll on businesses in January," Chris Williamson, chief business economist at IHS Markit, said. This meant that the economies of the 19 countries that use the single currency, dominated by Germany and France, would sink back into recession after only a very short recovery over the European summer.

The firm's closely watched PMI index fell from 49.1 points in December to 47.5 points this month, further away from the 50-point level which indicates growth. Williamson noted however that the bad start to 2021 would be less damaging than the economic collapse seen in the first wave of the pandemic last year. This was due to the "ongoing relative resilience of manufacturing, rising demand for exported goods and the lockdown measures having been less stringent on average than last year," he said. The difference between France and Germany was notable.

German exports managed to keep the country narrowly on a growth trajectory, while French business activity sank. The situation for the rest of the eurozone, accounting for a little more than half of

the bloc's economy, was even worse. Worryingly, employment across the eurozone fell for an eleventh consecutive month, albeit with modest increases in France and Germany, IHS Markit said. The bleak picture confirmed a warning by European Central Bank chief Christine Lagarde who saw "serious risks" still looming over the eurozone economy.

Much hope has been put in the distribution of vaccinations to reopen the economy but the campaign in the EU is going at a slower pace than hoped. The rollout of vaccines had instilled "a strong degree of confidence" but "the recent rise in virus case numbers has caused some pull-back in optimism," Williamson said. IHS Markit on Friday also posted an alarming survey result for Britain, where activity collapsed from a modest expansion in December to a low 40.6 points in January.

The country, which left the EU's single market on January 1, has seen a series of damaging lockdowns due to the spread of a more contagious strain of the virus. Meanwhile, Britain's private sector activity shrank in January due to another coronavirus lockdown and the Brexit fallout, survey data showed Friday, placing the economy on course for a double-dip recession. The composite purchasing managers' index (PMI) sank to an eight-month low at 40.6 points, compilers IHS Markit and the Chartered Institute of Procurement and Supply (CIPS) said in a statement.

The shift below 50 — indicating contraction — compared with 50.4 in December. "A steep slump in business activity in January puts the locked-down UK economy on course to contract sharply



**LONDON:** Sondheim Theatre in London's West End. Britain's private sector activity shrank in January due to another coronavirus lockdown and the Brexit fallout, survey data showed Friday, placing the economy on course for a double-dip recession. —AFP

in the first quarter of 2021, meaning a double-dip recession is on the cards," said Chris Williamson, chief business economist at IHS Markit.

"Services have once again been especially hard hit but manufacturing has seen growth almost stall, blamed on a cocktail of COVID-19 and Brexit, which has led to increasingly widespread supply delays, rising costs and falling exports." Those

delays were sparked after Britain finally departed the European Union's single market and customs union at the start of this year. The economy had already suffered a historic recession in the first half of last year owing to an initial virus lockdown. Britain earlier this month imposed fresh curbs as the government sought to halt the spread of a more transmissible variant of the virus. —AFP

### Asia to dominate Davos virtual forum as virus-hit West struggles

**PARIS:** Emerging stronger from the COVID-19 pandemic, Asia is set to dominate this year's virtual World Economic Forum as a virus-battered West struggles and a new US president faces particularly daunting challenges. The 2020 WEF, which took place in its usual Swiss Alpine resort of Davos, saw the global elite just starting to worry about a pandemic that surfaced in China a month earlier.

While the coronavirus leaves a mounting death toll and upends economies, depriving millions of people of work, China and Asian countries in 2021 are making a strong comeback from the virus that hit them first. In virtual format because of the pandemic, next week's event is headlined: "A Crucial Year to Rebuild Trust." The spotlight will be on Chinese President Xi Jinping, who will give a speech tomorrow, the opening day of the event that will last through next Friday.

The big names from Europe will be German Chancellor Angela Merkel, French President Emmanuel Macron and European Commission President Ursula von der Leyen, who heads the European Union executive. US President Joe Biden will not appear at the virtual Davos, which has never been a fixture on the White House calendar—even if the new administration has pledged to revive a US multilateral foreign policy after four years of Donald



A file picture shows a panel discussion during the 50th World Economic Forum in Davos

Trump's America First approach.

Trump had been an exception as he stopped in Davos twice, with the real estate billionaire enjoying mixing with the global business elite.

Before him, Bill Clinton was the only American president who had travelled to Davos, and that was just once. Showing up from Asia are China's and South Korea's presidents as well as the prime ministers of India and Japan. Following the first virtual session, Davos will move in May to Singapore, far from the luxury Swiss ski resort where it has taken place since it was launched in 1971, the brainchild of German professor Klaus Schwab. The stated reason

for the changes is health safety.

But a virtual forum is not particularly attractive for the world's well-heeled movers and shakers, who value huddles behind closed doors in fancy hotels over meetings in formal settings.

French insurance-credit group Euler Hermes said in a study this month that the "world's economic center of gravity" (WECG) has been moving towards Asia since 2002. "The COVID-19 crisis could accelerate the shifting global balance towards Asia," it added. "By 2030, we forecast the WECG, could be located around the confluence of China, India and Pakistan," the study projected. —AFP

### US housing boomed in 2020 even as virus slammed economy

**WASHINGTON:** The US housing market boomed in 2020 even as the coronavirus pandemic caused one of the worst economic contractions of modern times, as Americans took advantage of low borrowing rates to buy homes. The surge in new and existing home sales, and home construction, underscores the unequal experience of the pandemic across the United States. Even as tens of millions of people lost their jobs due to the pandemic disruptions, others were able to afford major property purchases.

And it serves as a stark contrast to the 2008 global financial crisis, when mortgages were at the center of the downturn and the American housing market collapsed.

Existing home sales last year hit the highest level since 2006, the National Association of Realtors (NAR) reported Friday, with sales rising to 5.64 million. That was 5.6 percent higher than in 2019, before the virus harrowed the world's largest economy. And while the Commerce Department will not release its year-end data for new home sales until next week, through November the 841,000 seasonally adjusted annual rate was 20.8 percent above the same month in 2019.

"What's even better is that this momentum is likely to carry into the new year, with more buyers expected to enter the market," NAR Chief Economist Lawrence Yun said.

#### Low rates, cheap loans

The housing market was fairly solid before the pandemic hit, but the Federal Reserve's decision to slash its benchmark lending rate to zero as the coronavirus crisis began fueled the surge in purchases that began after a short pause. The drastic Fed move was a sign of the severity of the damage and intended to keep the economy afloat.

The last time the central bank cut rates to zero was during the global financial crisis, when the housing market was in the eye of the storm and a wave of subprime mortgage defaults caused millions of foreclosures. With mortgage rates hitting historically low levels last year, according to government-sponsored lender Freddie Mac, buyers seized the opportunity.

The Pew Research Center in July reported that about one in five Americans moved due to the pandemic or know someone who had, and 18 percent of those who moved said the reason was financial. But there was also evidence that people took advantage of the changing situation to try out new digs. Pew reported that 13 percent of people moved to a second home or vacation residence, while nine percent headed to a new place that they either bought or rented. —AFP

### Iconic glassmaker Duralex hopes for a lifeline

**ORLEANS, France:** A French court on Friday studied a rescue bid for Duralex, the maker of ultra-tough glassware prized by home cooks as well as professionals, but whose fortunes have taken a hit from production problems and the COVID crisis.

Staggering under a debt of some 32 million euros (\$39 million), Duralex could well be bought by its French rival Pyrex, also a household name worldwide. Pyrex's owner International Cookware was the only bid still standing as the hearing opened on Orleans, central France, where Duralex's historic factory stands just outside the city. The company's Picardie tumblers are considered icons of modern design, sold at the Museum of Modern Art in New York and used by James Bond during a drinking contest in 2012's "Skyfall."

Film buffs have also noted that Indiana Jones downs whisky in a Universal glass in "Raiders of the Lost Ark"—a movie set in the 1930s, though

Duralex itself was created in 1945.

Generations of French children also grew up with Duralex glasses that were ubiquitous in school cafeterias in the 1960s and 70s. But since 2017 Duralex has struggled to recover from a problem that emerged while replacing the furnace at its factory in La Chapelle-Saint-Mesmin—a nine million euro investment that was to improve quality as well as production capacity.

The company needed to replace a key part of its production machinery at the same time, but delays and technical mishaps prompted a drop in output that persisted for years.

And since last year Duralex has lost key restaurant and hotel orders as coronavirus restrictions have shut down restaurants and tourism. Export orders overall make up 80 percent of the group's revenue.

It was placed in receivership last September in hopes of finding new investors, and the Orleans court was to evaluate three takeover offers. They



A product of Glassware Duralex is shown in La Chapelle-Saint-Mesmin.

included one from Andre Ioannides, brother of Duralex's chief executive Antoine Ioannides, but the bid was withdrawn late Thursday.

"We didn't have enough time to line up the financing," the family's lawyer Antoine Poulaine said.

Another bid was lodged but

nobody showed up Friday to defend it. That cleared the way for a takeover by International Cookware. Its chief Jose Luis Llacuna said on the sidelines of the closed-door hearing that his group was ready to invest 21 million euros in Duralex and maintain nearly all its 248 employees. —AFP