

US economy looks strong with 287,000 jobs added in June

AFP, Washington

US employers added new workers at a surprisingly strong rate in June after an unnerving stall in May, in a clear demonstration of economic resilience, the Labor Department reported Friday.

The much better-than-expected numbers gave a boost to markets in the US and Europe, which have been battered down by worries that Britain's vote to withdraw from the European Union will drag down economic growth.

Private businesses and government authorities across the United States generated 287,000 new positions last month, 112,000 more than analysts had expected.

The strongest hiring was in the health care, hospitality, information and retail sales sectors, while government hiring also picked up.

That largely compensated for the poor numbers from May that had shocked policymakers and markets, sending the dollar lower and contributing to the Federal Reserve's decision last month to put off an interest rate hike.

The May job creation numbers in fact were revised downward in Friday's data from the original 38,000 reported to just 11,000.

June's hiring levels boosted the monthly average of the last three months to a solid 147,000, which economists say is adequate to keep bringing down unemployment overall.

"This is a good trend but nothing spectacular. It suggests that hiring has taken a step down since late last year but that job growth is still strong enough to absorb slack in the labor market," said analysts at Nomura Global Economics in a client note.

"Most important, today's report quells any concerns of a broader economic slowdown in the US."

Markets reacted positively, with the S&P 500 surging 1.5 percent to a fraction shy of an all-time record.

In Europe, Frankfurt's DAX index gained 2.2 percent Paris's CAC 40 added 1.8 percent, while in London the FTSE 100 barometer rose 0.9 percent.

As analysts said the data increases the chances that the Federal Reserve will raise interest rates at



Job seekers fill out applications during the 11th annual Skid Row Career Fair in Los Angeles.

REUTERS/FILE

least once before the end of the year, early in the session the dollar jumped and US bond yields, which had plunged in recent weeks, spiked higher.

But by the end of the day the dollar had retrenched to \$1.1050 per euro, only slightly up from Thursday. And the yield on the 10-year Treasury bond fell to a new all-time low of 1.366 percent.

The jobs numbers were not unequivocally good. Wage growth, another indicator of economic strength, slowed slightly, bringing the annual pace for the last three months to 2.5 percent, compared with the 12-month rate of 2.6 percent.

And the unemployment rate, which is based on a separate database from the job creation numbers, rose by 0.2 percentage points to 4.9 percent, though still near the lowest level in more than eight years.

That rise was mainly due to a large jump in the number of people reported rejoining the

workforce, diluting the impact of the hiring surge on the jobless rate.

In May the unemployment rate had fallen from 5.0 percent to 4.7 percent after the volatile data showed a huge number of people had dropped out of the labor force.

Analysts remained cautious over what the hiring surge means for the economy going ahead, saying US businesses could remain cautious in the coming months, concerned Britain's vote to withdraw from the European Union, which is expected to hit economic growth in Britain and Europe.

"We believe the trend remains more than strong enough to keep the unemployment rate declining over time, consistent with additional upward pressure on wage gains," said Jim O'Sullivan, chief US economist at High Frequency Economics.

But O'Sullivan expects the Federal Reserve will continue to keep US interest rates on hold at its end-July meeting.

Oil rises as strong US jobs report stokes growth hopes

AFP, New York

Oil prices rose modestly Friday as an unexpectedly strong US jobs report encouraged optimism about better economic growth and demand in the world's largest consumer of crude oil.

Prices had plunged nearly five percent Thursday, leaving the market ripe for bargain pickers.

The US June employment report, showing 287,000 jobs added in June following a dismal May, eased some concerns about the economy. US benchmark West Texas Intermediate for August delivery, rose 27 cents to \$45.41 a barrel on the New York Mercantile Exchange.

Brent North Sea oil for September delivery, the global benchmark, closed at \$46.76 a barrel in London, a gain of 36 cents from Thursday's settlement.

"The job number is the main feature for today" in the US market, said Phil Flynn of

Price Futures Group.

The jobs data suggests, he said, that "the strong demand we've seen in the US will probably continue because the economy is not as bad as we feared."

Friday's fresh buying was supported by investors finally focusing on a steep fall in US production reported Thursday, which the market at first "completely ignored" according to Commerzbank analysts.

US crude output fell by 194,000 barrels a day last week to 8.43 million barrels a day, down 12 percent from a year ago.

While that was bullish for the long-oversupplied market, Flynn pointed out that the number of active drilling rigs in the United States, a barometer of future production activity, rose by 10 this week to 351, the fifth gain in six weeks.

"That's why the market is bouncing back and forth, because it's having a hard time finding direction whether this is bullish or bearish for prices," he said.

Ecuador gets \$364m from IMF in emergency support

AFP, Washington

The International Monetary Fund said Friday it approved a \$364 million emergency loan to Ecuador after the country was hard-hit by an earthquake in April.

The money will help the country steady its finances while it addresses the huge losses from the quake, which killed some 700 people.

"The April 16 earthquake that hit Ecuador caused significant humanitarian losses and damage to infrastructure, housing, and agriculture," said IMF Deputy Managing Director Min Zhu in a statement.

"It created new fiscal pressures and an urgent balance of payments needed at a time when Ecuador's economy is still suffering from the effects of lower oil prices, a strong US dollar, low interna-

tional reserves, and limited access to international financing."

Days after the quake the government said it needed \$3.3 billion to rebuild, even as it faced a deep budget gap due to the plunge in the price of crude oil, the country's main export earner.

The IMF is granting the loan under its Rapid Financing Instrument facility, which allows it to provide assistance quickly to countries hit suddenly by financial setbacks.

The loan, which is disbursed immediately, does not come with conditions. But in his statement Min urged the country to take steps to strengthen its finances for the future.

"Over the medium term, fiscal policy will need to rebuild adequate buffers to create space for countercyclical policy," he said.

Brazil's soaring inflation dips to 8.84pc

AFP, Brasilia

Inflation in Brazil fell in June by 0.35 percent to an annual rate of 8.84 percent, but remains almost double the government target, official figures showed on Friday.

This was an improvement from May, when inflation hit 9.32 percent, temporarily reversing a three-month falling trend.

However, inflation at the year's halfway point is now well above the same time in 2015 when it was 6.17 percent. And it is far above the target of 4.5 percent.

Food and drink prices for June rose 0.71 percent, while health costs were up 0.83 percent, almost half of the previous month's inflation. Stubbornly high inflation is one of the challenges facing interim president

Michel Temer and new central bank governor Ilan Goldfajn, who are battling to restore confidence in the sputtering economy.

Goldfajn has said reining in prices will be his top priority.

Brazilian policy makers face the tricky challenge of both rising prices and a shrinking economy, which contracted 3.8 percent last year -- the worst performance in 25 years.

The recession has been exacerbated by political uncertainty in Brasilia, where suspended president Dilma Rousseff is facing an impeachment trial on charges of fiddling with the government's accounts, and a massive corruption scandal centered on state oil giant Petrobras that has shaken the political establishment.

Japan's Orix buys US housing tax credit syndicator

REUTERS

Japanese financial services company Orix Corp has bought Boston Financial Investment Management, a US money manager specialised in tax credit investments for low-income housing suppliers, two sources said on Saturday.

Orix paid several hundred million dollars to buy Boston Financial Investment Management, said the sources, who had direct knowledge of the deal but were not authorized to discuss the matter publicly.

The US Low Income Housing Tax Credit (LIHTC) program gives tax credits for new construction and rehabilitation of rental

housing for low-income households.

Housing developers can sell the granted tax credits to fund projects and buyers of the credits can enjoy tax benefits.

Boston Financial is one of the largest LIHTC syndicators, which raise money from investors and buy tax credits. It has raised over \$10 billion from institutional investors for LIHTC investments in more than 2,200 properties, the sources said.

Orix, which bought investment manager Robeco from Dutch cooperative lender Rabobank in 2013, has been building up money management business overseas.

Orix and Boston Financial officials were not immediately available for comment.

Germany denies investigating Tesla over software updates

REUTERS, Berlin

Germany's Transport Ministry denied a media report on Friday that it was investigating Tesla Motors Inc for updating driving assistance software without informing authorities, but said it was "clarifying technical issues" on the matter.

German magazine Der Spiegel reported, without citing a source, that there were indications Tesla uploaded new software features to a driving assistance system which had not been examined for security during regular approval proceedings.

The ministry therefore launched an investigation, it added. "The report is incorrect," a ministry spokesman said. "There are no investigation proceedings against Tesla."

"We are clarifying the technical issues," the ministry spokesman added. "At the moment, it is a normal gathering of information on the status quo between the Federal Office for Motor Vehicles (KBA) and the ministry."

A spokesperson for Tesla in Germany said it is cooperating with the KBA car watchdog, an agency that reports to the Transport Ministry in Berlin. "We are fully aware that the KBA is investigating Tesla Autopilot components and we are cooperative in every aspect," the spokesperson said.

A Tesla spokeswoman later said that by "investigating", they meant that German authorities were reviewing certain components.

"Tesla Motors has been transparently working with European authorities since its inception beginning with the Roadster model and continuing that working relationship to include Whole Vehicle Type Approval of Model S, Model X and in the future, Model 3," the company said in the initial statement. The spokesperson added that all Tesla type approvals have been historically issued by the RDW assembly and PDI facility in Tilburg, Netherlands.

"Tesla does its due diligence in making sure that its vehicles do not violate any national legal (or) safety regulations, it does not need to seek specific national type approvals in EU member states since the RDW issued WVTA should be accepted as a legal compliance document," it added.

In its report, released on Friday before the magazine's publication on Saturday, Der Spiegel said the driving assistance system in question was a device designed for regulating car overtaking maneuvers.

If the allegations were confirmed, Tesla could lose type approval for its Model S vehicles, meaning they would be banned from the roads, the report said.



The interior of a Tesla Model S is shown in autopilot mode in San Francisco.

REUTERS/FILE

However, it also added Tesla had applied for type approval in the Netherlands and therefore only the Dutch authorities could withdraw the approval for the European market again.

A KBA spokesman was not immediately available for comment.

Tesla Chief Executive Elon Musk said last year he viewed Germany as

the next most important market for his company after the United States. In 2015, Tesla sold 1,582 Model S cars in Germany, Europe's largest car market.

In the United States, authorities are investigating the circumstances of a fatal crash in which a Tesla Model S sedan was involved while running on autopilot.



REUTERS/FILE

Orix Corp Chief Executive Officer Makoto Inoue smiles as he poses behind the company logo after an interview with Reuters in Tokyo.

Mugabe blames Western sanctions for delays in paying government workers

AFP, Harare

Zimbabwe's President Robert Mugabe on Friday blamed sanctions by Western countries for his government's failure to pay its workers on time, which led to a crippling strike by civil servants this week.

"We have problems with sanctions, the United States is yet to remove them and the EU has removed some of them," Mugabe said while addressing his ZANU-PF party supporters Friday evening at a stadium in the northeastern mining town of Bindura in a rally televised live on national television.

"They (workers) do not fully understand the problems that we face, it doesn't mean that we are poor but the payment of salaries can be delayed because of the sanctions."

The 92-year-old leader vowed to find ways of paying government workers on time saying the current problems are temporary.

"We are solving the problem. We are saying these are troubles for these days only. It will not continue like this because we do not want the doctors, nurses and teachers to go on strike," he said. "We use the US dollar, the dollar is printed in America and we don't print it on our own."

Mugabe has blamed sanctions by the European Union and the United States for his government failure to deliver over the years, saying some government payments are being intercepted by Western countries.

Government workers in Zimbabwe went on strike Tuesday to protest against delayed salary payments amid growing tensions over the country's struggling economy.

Mugabe said cash shortages at banks are being caused by businesses and individuals who are not banking their money, resulting in the liquidity crunch.

"Some companies and our people

who would have sold goods and got their money are withholding the money. They are not depositing the money to the banks," he said.

"Now when banks do not have money how can the workers be paid because the money in the banks is the one that government uses to pay its workers."

He appealed to government workers to continue working even when their salaries are delayed.

"We are not saying we will not pay your salaries but we are saying the government has a lot of government departments. But some of you do not understand that," he said.