# US economy grows at modest 1.2pc in second quarter

AFP, Washington

THE US economy grew more slowly than expected in the second quarter of 2016, rising a modest 1.2 percent, according to an advance estimate released Friday by the Commerce Department.

The department also revised first-quarter growth estimates for gross domestic product downward to 0.8 percent from 1.1 percent, reflecting results in residential investment, private inventories and exports that were poorer than previously reported.

The second quarter results were well below analysts' expectations of 2.6 percent growth and could temper the cautious optimism expressed at this week's meeting of the US Federal Reserve.

The Fed had left rates untouched but acknowledged a somewhat rosier economic picture, leaving open the possibility of rate increases in 2016 should conditions continue to improve.

The results come in the middle of a hotly contested presidential election in which voters' economic prospects are a key issue.

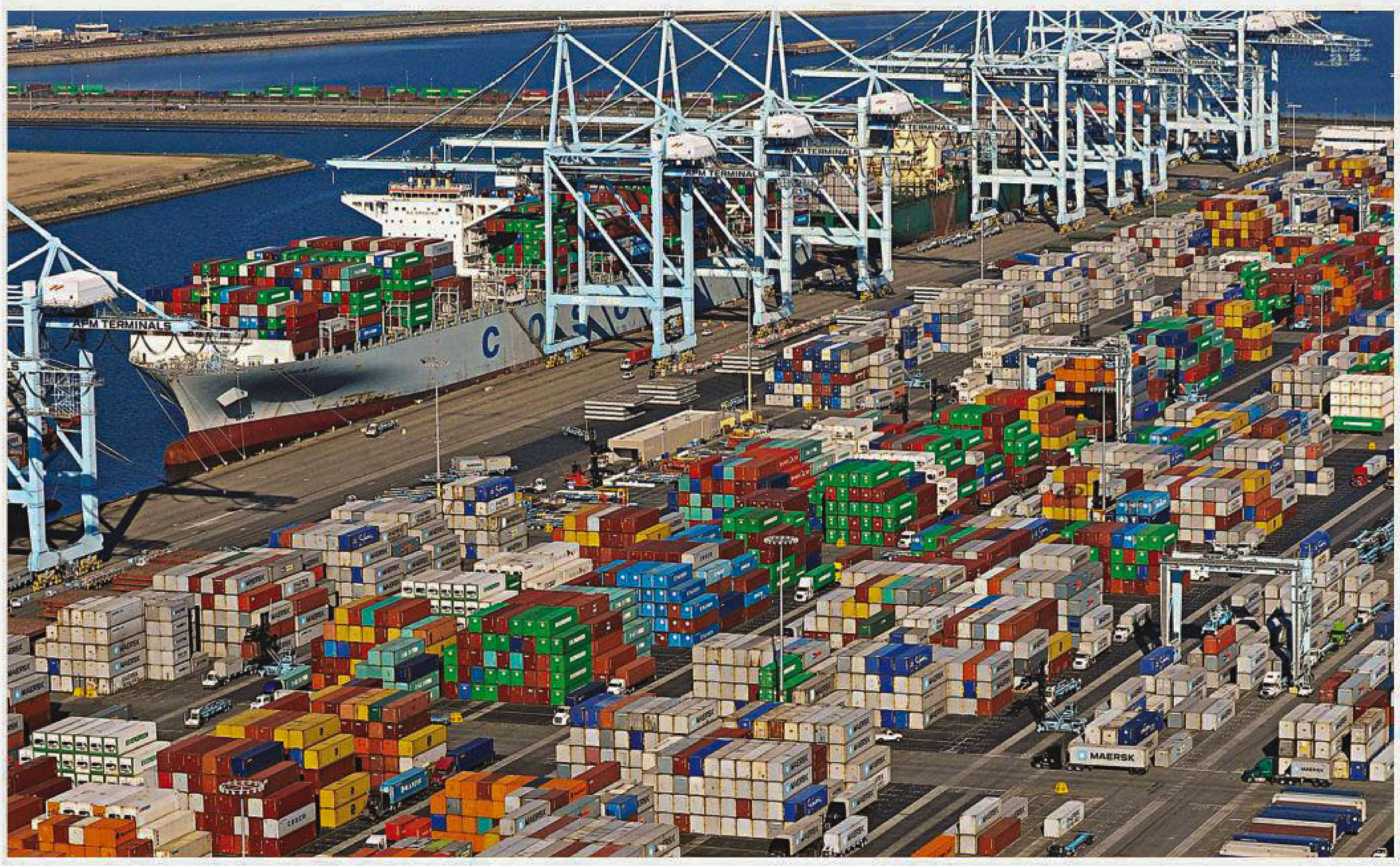
"Today's report underscores that there is more work to do and the president will continue to take steps to strengthen economic growth and boost living standards," Jason Furman, chairman of the Council of Economic Advisers, said in a statement issued by the White House.

The statement noted a strong rise in consumer spending at 4.2 percent.

The small rise in second-quarter growth reflected increases in consumer prices and exports and smaller drops in federal spending and non-residential fixed investment, according to the commerce department.

These gains were offset, however, by smaller spending from state and local governments as well as from companies.

GDP is the broadest measure of the monetary value of goods and services produced across the economy, including consumer and government spending, private investment and exports.



Shipping containers sit at the ports of Los Angeles and Long Beach, California.

REUTERS/FILE

Disposable personal income rose 3.1 percent to $106.3 billion, faster than the first quarter's revised estimate of 2.5 percent.

Personal savings were also down nearly 10 percent at $763.1 billion, according to the department.

Spending on national defense was down 3 percent, a lesser decrease than in the 3.2 percent seen in the first quarter.

The Commerce Department advance estimates are based on incomplete data and are subject to regular revisions.

"While no doubt disappointing, the GDP data are backward looking and whether or not the Fed hikes interest rates again this year depends more on the future data flow than what happened back in the second quarter," said Chris Williamson of IHS Markit.

"However, the ongoing softness of growth in the second quarter will no doubt add to calls for policymakers to err on the side of caution and as such greatly reduces the chance of any rate hike before December."

Analyst expectations had been wrongfooted by weaker-than-expected performance in businesses' fixed investments and private domestic investments, according to Michal Gapen of Barclays Research.

"The combined drag from these two items was about three times as large as we anticipated," he said in a research note.

"The picture from the corporate sector remains the same; weakness in manufacturing and energy, plus lackluster growth outside the US, has dampened the overall investment environment."

Nearly an hour into trading, Wall Street equities markets were less than exuberant, with the Dow Jones Industrial Average down almost half of a percentage point at 18,377.08, the S&P down 0.22 percent at 2,165.20 and the Nasdaq down 0.15 percent at 5,147.42.

# Oil rout erodes profits for US majors Exxon, Chevron

REUTERS, Houston

Chevron Corp posted its worst quarterly loss since 2001 on Friday and Exxon Mobil Corp reported a 59 percent slide in profit, as the long crude price rout and tumbling refining income inflicted pain across the energy sector.

The weak results from two of the world's largest oil producers come as the energy industry is at a crossroads, trying to survive in an era of low prices, which many analysts see as the new status quo, while funding expensive growth projects crucial for long-term survival.

"It's a challenging environment for the integrated" oil producers, said Brian Youngberg, an energy analyst with Edward Jones. "The key is to manage the cash flow as best they can and continue to execute on projects, which they do appear to be doing."

Exxon, the world's largest publicly traded oil producer, shocked Wall Street as its quarterly profit missed expectations, sending its shares down as much as 4.5 percent on Friday. Its profit from producing oil and gas fell about 85 percent to $294 million. In the United States, where Exxon is the largest natural gas producer and a major oil producer, the company lost money.

Exxon executives defended their business model, saying they have the financial flexibility to do many things, including large acquisitions, while maintaining their dividend. The company did cut most of its share buyback program earlier this year.

Standard & Poor's downgraded the company's vaunted "AAA" credit rating to "AA+" earlier this year, as dividends and capital expenditures were exceeding cash flow.

This month Exxon said it would pay more than $2.5 billion in stock for InterOil Corp, expanding its push into the Asian liquefied natural gas market.

Chevron, the second-largest US-based oil producer, reported its largest quarterly loss in 15 years, with Chief Executive Officer John Watson acknowledging the company is in the midst of an "ongoing adjustment to a lower oil price world."

The company lost $1.47 billion in the quarter, compared with a net profit of $571 million in the year-ago period. Still, Chevron's results beat expectations, with analysts confident in the company's ability to cut costs as it brings several large projects online in the next few years.

The results from both companies came after disappointing results from European peers Shell and BP earlier this week. The weak results could force the companies to reconsider their long-held policies of maintaining and growing their quarterly dividends, especially after ConocoPhillips, Marathon Oil Corp and others cut their payouts earlier this year.

# Myanmar government launches thin economic policy

A boy chops fish at a seafood export factory in Myanmar.

REUTERS

REUTERS, Naypyitaw

MYANMAR'S government released a long-awaited economic policy on Friday, but the document was noticeably light on specifics and will likely do little to ease the concern of businesses that have grown frustrated with the lack of a detailed plan.

At just three pages, the policy, launched by the Ministry of Planning and Finance in the capital, Naypyitaw, comes some eight months after Aung San Suu Kyi's National League for Democracy (NLD) won a resounding victory in a November election.

The paper broadly outlined 12 policies ranging from prioritizing labour-intensive enterprises to the privatization of some state-owned ones, but it lacked detail or plans for how to accomplish the goals.

"To create human resources which will be conducive to economic development and to develop technologies and vocational education," the government said in one of the points.

Maung Maung Win, deputy minister of finance and planning, told Reuters the policy document was an "overview", and that more detailed plans on specific areas of the economy would be released in future. But he said he did not know when.

"I cannot say the specific date," he said. "It will come, it will come." As well as NLD members and ministry officials, diplomats and representatives of international aid groups attended the launch.

Han Tha Myint, a senior NLD member, said that those in attendance were hoping for more insight as to how the government planned to promote business and boost the economy in the impoverished country of 51 million.

"They are asking for details, it is very vague," he said.

"There are no specifics, objectives or those things."

Members of the media were barred from attending. Dr Sid Naing, country director for the Marie Stopes international healthcare group, who also attended, said many people were disappointed about the lack of specifics.

The private sector has increasingly questioned the NLD's commitment to business as Suu Kyi, the country's leader, has focused her efforts on the country's complex peace process.

Since April, the government has approved just 19 foreign and domestic investment projects after a two-month delay in reforming an investment commission that lead to a backlog of more than 100 projects.

On Friday, Suu Kyi met members of two ethnic minority armed groups, including members of the United Wa State Army, believed to be the largest and most powerful such group in the country.

The Wa, who control large swathes of land on the Myanmar-China border, have largely sat out the peace process started by former President Thein Sein.

# Eurozone growth slows as Brexit dangers threaten

AFP, Brussels

GROWTH in the eurozone halved in the second quarter, official data showed on Friday, with analysts warning that the consequences of Brexit could harm the economy further later in the year.

The Eurostat statistics agency said economic growth in the 19-nation single currency bloc slowed to 0.3 percent in the April to June period, with stagnation in France largely contributing to the poor data.

This was down from a far more robust expansion of 0.6 percent in the previous quarter, though analysts had said that result was due to a surprisingly warm winter in Europe.

The latest figures were in line with forecasts of analysts surveyed by data company Factset, and meant the eurozone grew by 1.6 percent over 12 months.

The period covered by the gross domestic product (GDP) data largely pre-dates the shock vote in late June by non-euro Britain, which the European Central Bank warned would negatively influence growth in Europe for years to come.

Signals so far are that economic activity in the eurozone is proving resilient despite the vote, after strong initial shocks rocked the financial markets.

"The good news is that the economy still has some momentum, though there is little acceleration to be expected as long as the Brexit story continues to inject some uncertainty into the external environment," said Peter Vanden Houte, chief economist at ING Bank in Brussels.

Looking ahead, "the third quarter started on a good footing, but it is probably too soon to start downplaying the potential negative impact of Brexit on eurozone growth," he added.

REUTERS/FILE

An employee holds a plate of oysters in the food hall at the KaDeWe department store in Berlin.

In the eurozone, Spain managed to grow a solid 0.7 percent despite political deadlock since inconclusive elections last December.

But French growth ground to a halt in the April-June period, a disappointing result for the eurozone's second-biggest economy.

Eurostat also announced that eurozone consumer prices rose 0.2 percent in July after a gain of 0.1 percent in June as the single currency bloc edged further away from the dangers of deflation.

"The inflation data is likely to be the start of a more sustained pick-up in price rises," said Jack Allen, European economist at Capital Economics.

The ECB last week refrained from adding more monetary stimulus to boost consumer prices in the eurozone, disappointing markets.

Slow eurozone growth has seen inflation slide in and out of negative territory, threatening a dangerous downward spiral of falling prices and wages. The ECB aims to get inflation back to its long-term target of two percent or just below, a level it deems healthy for growth.

Eurozone unemployment meanwhile was unchanged at 10.1 percent in June compared with May, but down from 11 percent in June 2015, Eurostat said.

The agency said GDP growth for the EU's 28 member states as a whole stood at 0.4 percent, for a year-on-year gain of 1.8 percent.

# France reports 'disappointing' zero growth

AFP, Paris

FRENCH growth stagnated in the second quarter of the year, statistics bureau Insee reported Friday, a "disappointing" result that dashed hopes of a small economic expansion.

France's gross domestic product (GDP) showed no change in the three months to June, according to a first estimate, after rising a revised 0.7 percent in the first quarter.

The finance ministry called the flat figure "disappointing", given that Insee had predicted 0.3 percent growth and the Bank of France 0.2 percent.

The ministry said, however, that it stood by its own growth forecast of 1.5 percent for the full year 2016. But such optimisim had analysts scratching their heads.

"Which factors could possibly reverse the trend and give us growth drivers which would allow reaching the 1.5 percent promised by the government?" asked Philippe Waechter, chief economist at Natixis.

Consumer spending stagnated, having driven growth with a 1.2-percent increase in the three previous months, Insee said.

Food spending dropped, as did services as start-of-year spending on tickets and accommodation for the Euro 2016 football championships dropped out of the equation, Insee said.

Mathieu Plane, of economic think tank OFCE, called the French slowdown "very pronounced" as well as "pretty surprising".

Given the end of austerity policies in France and accomodating monetary policy by the European Central Bank "we should be expecting growth picking up", Plane said.

"But that's not happening," he told AFP. "That's not good."

Investment, which fell for both companies and the public sector, will be key rekindling growth, Natixis's Waechter said, warning however that Brexit, attacks in France and uncertainty surrounding the upcoming US election should be expected to put the brakes on capital spending.