

# US economy slowed less than expected in Q1

REUTERS, Washington

**T**HE US economy slowed less than initially thought in the first quarter, but softening business investment and moderate consumer spending are clouding expectations of a sharp acceleration in the second quarter.

Gross domestic product increased at a 1.2 percent annual rate instead of the 0.7 percent pace reported last month, the Commerce Department said on Friday in its second GDP estimate for the first three months of the year.

That was the worst performance in a year and followed a 2.1 percent growth rate in the fourth quarter.

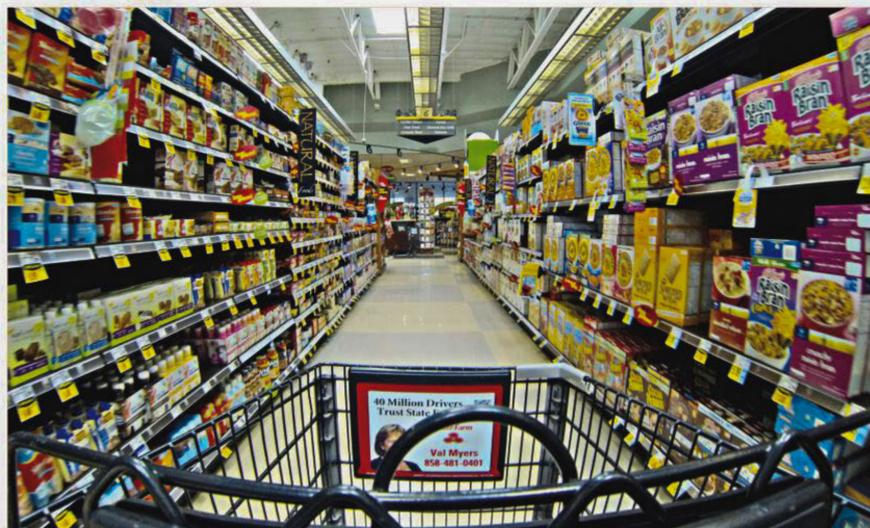
"Economic indicators so far aren't entirely convincing on a second-quarter bounce in activity and show a US economy struggling to surprise on the upside," said Scott Anderson, chief economist at Bank of the West in San Francisco.

The first-quarter weakness is a blow to President Donald Trump's ambitious goal to sharply boost economic growth.

During the 2016 presidential campaign Trump had vowed to lift annual GDP growth to 4 percent, though administration officials now see 3 percent as more realistic.

Trump has proposed a range of measures to spur faster growth, including corporate and individual tax cuts. But analysts are skeptical that fiscal stimulus, if it materializes, will fire up the economy given weak productivity and labor shortages in some areas.

"If the economy is going to grow at 3 percent for as long as the eye can see, businesses better spend lots of money on capital



REUTERS/FILE

Breakfast cereal is shown for sale at a Ralphs grocery store in Del Mar, California.

goods. That is not happening," said Joel Naroff, chief economist at Naroff Economic Advisors in Holland, Pennsylvania.

The economy's sluggishness, however, is probably not a true reflection of its health, as first-quarter GDP tends to underperform because of difficulties with the calculation of data that the government is working to resolve.

The government raised its initial estimate of consumer spending growth for the first quarter, but said inventory investment was far smaller than previously reported. The trade deficit also was a bit smaller than estimated last month.

Economists had expected that GDP growth would be revised up to a 0.9 percent rate. Despite the tepid growth, the Federal Reserve is expected to raise inter-

est rates next month.

The dollar was trading slightly higher against a basket of currencies on Friday, while US stocks were flat after six straight days of gains. Prices for longer-dated US government bonds rose.

Though the economy appears to have regained some speed early in the second quarter, hopes of a sharp rebound have been tempered by weak business spending, a modest increase in retail sales last month, a widening of the goods trade deficit and decreases in inventory investment.

In a second report on Friday, the Commerce Department said non-defense capital goods orders excluding aircraft, a closely watched proxy for business spending plans, were unchanged in April for a second straight month.

Shipments of these so-called core capital goods dipped 0.1 percent after rising 0.2 percent in March. Core capital goods shipments are used to calculate equipment spending in the government's gross domestic product measurement.

Second-quarter GDP growth estimates range between a rate of 2.0 percent and 3.7 percent rate.

"It looks instead that many companies may be delaying their equipment purchases for now to see if they get a better tax deal later on down the road," said Chris Rupkey, chief economist at MUFJ Union Bank in New York.

The GDP report also showed an acceleration in business spending equipment was not as fast as previously estimated. Spending on equipment rose at a 7.2 percent rate in the first quarter rather than the 9.1 percent

reported last month.

Growth in consumer spending, which accounts for more than two-thirds of US economic activity, rose at a 0.6 percent rate instead of the previously reported 0.3 percent pace. That was still the slowest pace since the fourth quarter of 2009 and followed the fourth quarter's robust 3.5 percent growth rate.

With consumer sentiment hovering at lofty levels, consumer spending could pick up. But there are worries that surging household debt could cut into spending as monthly repayments squeeze paychecks.

Businesses accumulated inventories at a rate of \$4.3 billion in the last quarter, rather than the \$10.3 billion reported last month. Inventory investment increased at a \$49.6 billion rate in the October-December period.

Inventories subtracted 1.07 percentage point from GDP growth instead of the previously estimated 0.93 percentage point.

The government also reported that corporate profits after tax with inventory valuation and capital consumption adjustments fell at an annual rate of 2.5 percent in the first quarter, hurt by legal settlements, after rising at a 2.3 percent pace in the previous three months.

Penalties imposed by the government on the US subsidiaries of Credit Suisse and Deutsche Bank related to the sale of mortgage-backed securities reduced financial corporate profits by \$5.6 billion in the first quarter.

In addition, a fine levied on the US subsidiary of Volkswagen related to violations of US environmental regulations cut \$4.3 billion from non-financial corporate profits.

## Apple opens first official store in SE Asia

AFP, Singapore

Apple opened its first Southeast Asia store in Singapore on Saturday, drawing hundreds of excited fans to the swanky two-storey site in the city's upmarket shopping district. Located on the affluent Orchard Road, the new shop -- easily distinguished by its iconic glass facade -- is expected to be one of the most popular Apple stores in the world according to the US tech giant.

Merchandise such as the iPhone and MacBook were strategically placed on display across the spacious first floor, while the upper level acted as a classroom for customers to participate in hands-on sessions.

Hundreds of shoppers camped out in anticipation of the launch, while more than a thousand thronged the store soon after the doors opened, an AFP reporter observed. First in the queue was Xiang Jiaxin, a twenty-five-year-old Chinese national working in Macau who had queued for more than 12 hours overnight and planned a holiday to Singapore specially to coincide with the opening.

"I am very happy and excited to be part of this. I have participated in the official store openings in Macau, Guangzhou and Nanjing," he told AFP.

Apple, which has a staggering \$256.8 billion cash stockpile, celebrated its 40th anniversary last year. The Silicon Valley legend sprang out of Steve Jobs' garage to reshape modern life with trend-setting gadgets.

Most of its earnings come from the iPhone, which faces increasingly tough competition in a saturated market.

The tech behemoth has almost 500 stores globally with more than a million visitors daily.

Aside from Singapore, its Asia shops are located in Hong Kong, China and Japan. A regional transport, business and financial hub, Singapore attracted 16.4 million visitors last year.



AFP

People take photographs as the first person in the queue prepares to enter the Apple store in the Orchard shopping district on its opening day in Singapore yesterday.

## China considers tighter controls on yuan currency



REUTERS/FILE

Chinese 100 yuan banknotes are seen in a counting machine at a branch of a commercial bank in Beijing.

AFP, Shanghai

**C**HINA said Friday it is considering a change to its mechanism for managing its currency to buffer it against market forces, in an apparent step back from liberalisation pledges.

The potential new system would introduce a "counter-cyclical factor" to China's current system of allowing the yuan to trade within a government-set band, according to a statement on the website of the Foreign Exchange Trade System, an agency under the People's Bank of China.

The statement did not explain how the mechanism would work but said it would take into account the country's economic "fundamentals" as a counter to market forces.

"The goal is to properly hedge" against fluctuations based on market sentiment and "to ease the potential herd effect," it said, adding that the current system was vulnerable to "irrational expectations". China only allows the yuan to rise or fall two percent on either side of rate fixed daily.

The band has been in place for more than a decade, gradually widened over the years, and authorities have taken steps to make it more market-based, earning plaudits for China and helping

the yuan gain greater world recognition.

Last October, it joined the dollar, pound, yen and euro in the IMF's "special drawing rights" reserve currency basket. But since last year, the yuan has plummeted to its lowest levels against the dollar in several years as the greenback spiked and Chinese investors and businesses moved huge sums of money offshore.

The move "sounds like an increased role for the fixing to be nudged away from where markets would set it," Sean Callow, a senior currency strategist at Westpac Banking Corp. in Sydney, told Bloomberg News.

"The authorities' actions give the impression that they are more worried about yuan stability than declared in their public statements."

China has pledged to allow market forces to play a bigger role in its capital markets. But besides a slowing economy, authorities are currently grappling with mounting debt that this week earned China its first credit rating downgrade in nearly three decades, from Moody's.

Having greater control over the currency could help authorities maintain yuan stability during the debt-reduction campaign.

## Amazon opens first brick and mortar New York bookshop

AFP, New York

Online retail giant Amazon on Thursday opened its first brick and mortar bookshop in New York, selling a limited range of its highest-rated books and letting customers browse products as in times gone by.

Amazon, which launched as an online bookseller in 1995 but which now sells everything from designer clothes to groceries, bided its time before venturing into the US cultural capital.

It launched brick and mortar bookstores in six other cities first, starting in its hometown Seattle in 2015. "You don't run a marathon before you run a 5K," said Jennifer Cast, vice president of Amazon Books. "We wanted some time to learn and we also really wanted the right spot."

The New York store -- a modest 370 square meters (3,983 square feet) compared to the multi-storey premises of rival Barnes and Noble -- occupies a prime spot at Columbus Circle opposite Central Park. The offerings are limited to just 3,000 titles, none of which have received fewer than four out of five stars by Amazon's online customers, who are invited to post their own reviews on the website.

There is also a "Page Turners" section dedicated to books that -- according to Amazon data -- customers have devoured in three days or less, and another to preferences of customers in the New York area.

Some of the store's first customers welcomed the arrival of a new book store in a city where many book vendors have been forced to shutter in recent years.

## Samsung Electronics to set up fund to help suppliers

REUTERS

**S**AMSUNG Electronics Co Ltd said it would set up a 500 billion won (\$445 million) fund to help small suppliers, the highest-profile South Korean firm to unveil steps in the wake of new President Moon Jae-in's call to protect small businesses.

Moon came to power this month promising to rein in the family-owned conglomerates that dominate Asia's fourth-largest economy. Calling himself the 'jobs president', he has also said he wants to discour-

age contract jobs, raise the minimum wage and reduce working hours.

Samsung Electronics said the fund will allow its suppliers to borrow cash interest-free for a year so that those suppliers' subcontractors can be paid promptly. It will run until May 2020.

The tech giant decided to establish the fund after meetings with suppliers late last year, it said in a statement.

In other recent moves by South Korean firms to support jobs, the nation's largest agricultural cooperative said it will consider making 5,245 temporary workers regular

employees.

The National Agricultural Cooperative Federation employs more than 35,000 full-time and part-time workers at dozens of affiliate companies, including a bank and a hypermarket chain.

SK Broadband Co Ltd, an affiliate of South Korea's largest telecom firm SK Telecom, will set up a service subsidiary that will make 5,200 workers currently on contract regular employees, Yonhap news agency said on Tuesday citing the company.

An SK spokesman could not be immediately reached for comment.

## Pakistan hikes development budget by 40pc

AFP, Islamabad

**P**AKISTAN on Friday announced a 40 percent increase in its development budget over the next financial year as the government continues to invest in infrastructure projects.

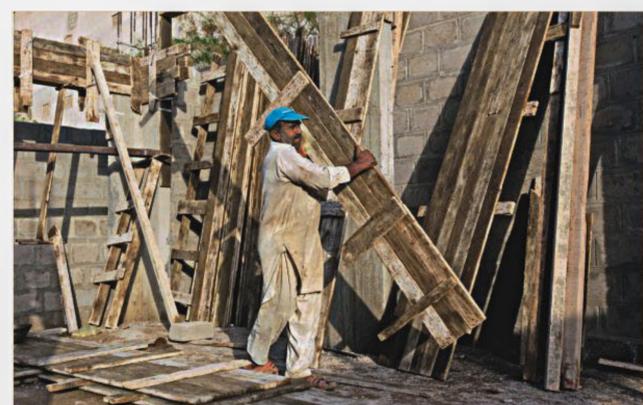
Speaking to parliament, Finance Minister Ishaq Dar said the Public Sector Development Program would have its funding increased from 715 billion rupees (\$6.8 billion) to 1,001 billion rupees for 2017-18.

The government also announced an 11 percent hike in total expenditure over the next year, as positive financial indicators and an improving security situation attract more investors to the country.

"The estimate for the total expenditure in the year 2017-18 is 4,753 billion rupees, which is 11.7 per cent more than the previous year's expenditures of 4,256 billion rupees," Dar said.

The defence budget has been increased from 841 billion rupees to 920 billion rupees.

On Thursday, the government said its economy expanded almost 5.3 per cent, its largest increase in a decade.



REUTERS

A labourer carries wood plank as he works at a construction site for an office building in Karachi, Pakistan.

The rise follows a construction boom linked to a \$50-billion Chinese investment plan to upgrade transport and power infrastructure.

Confidence in Pakistan is growing, with the International Monetary Fund saying in October that the country had emerged from crisis and stabilised its economy after completing a bailout programme.

Pakistan's credit rating has also improved, though foreign investment remains poor compared to its South Asian neighbours.

Economists believe the country will need to register sustained growth of six to eight percent over several years to make a significant dent in poverty and provide enough jobs for its youth.