

# Moody's says G20 GDP growth to exceed 3pc



From left, China's President Xi Jinping, German Chancellor Angela Merkel and Argentina's President Mauricio Macri turn around for photographers at the start of the first working session at the G20 summit in Hamburg, Germany, on July 7.

REUTERS, Hong Kong

**M**OOODY'S Investors Service kept its forecast for G20 economic growth at just over 3 percent for this year and next, but warned of geopolitical risks, US protectionism and spillovers from global monetary tightening and China's deleveraging measures.

The ratings agency said surprisingly strong data in the first half of the year prompted it to raise 2017 growth forecasts for China to 6.8 percent from 6.6 percent, for South Korea to 2.8 percent from 2.5 percent, and for Japan to 1.5 percent from 1.1 percent.

It also expected the euro zone to accelerate in the rest of the year as suggested by robust sentiment indicators and revised upwards its forecasts for Germany, France and Italy.

The agency cut its forecast for the United States, however, to 2.2 percent

in 2017 and 2.3 percent in 2018 from a previous 2.4 percent and 2.5 percent, respectively, citing its weaker-than-expected first half performance and expectations of more modest fiscal stimulus than previously assumed.

"The balance of risks is more favourable than it was at the beginning of the year," Moody's said. "However, we note event risks related to conflicts in the Korean Peninsula, the South China Sea, and the Middle East."

"The test firing of missiles by North Korea, intensification of aggressive rhetoric on both sides, and a hardline stance from the Trump administration have raised the risk of a conflict in the Korean Peninsula."

The agency also said there appeared to be "renewed momentum" to address bilateral trade issues that the Donald Trump administration deemed as unfair trade practices, which could hurt growth if wide-

ranging measures were introduced.

For markets, it warned of risks of increased volatility due to historically elevated asset prices and broad investor expectations that interest rates would remain low even as the Federal Reserve and the European Central Bank said they were preparing to start rolling back unconventional stimulus.

While raising its China forecasts, the agency warned the economy has become increasingly reliant on new debt to foster growth. The agency downgraded China's ratings by one notch to A1 in May, saying the financial strength of the economy would erode in coming years.

The agency revised its India forecast slightly lower to 7.1 percent as the government's demonetisation move last year led to several months of acute shortages for manufacturing and construction firms in particular, although it said it expected the impact to ease in coming months.

## Saudi Arabia shortlists 25 bidders for major wind plant

AFP, Riyadh

Saudi Arabia invited bids Tuesday from 25 shortlisted companies to build a 400 megawatt wind power project, as the world's top oil exporter pushes for renewable sources to diversify its energy mix.

The plant in northern Al-Jouf province is the first utility-scale wind project as part of the government's reform plan to wean the kingdom off oil, which has set a target of 9.5 gigawatts of renewable energy by 2023.

The energy ministry has sought bids from 25 qualified bidders, which include EDF Energies Nouvelles, a subsidiary of the French public energy company, as well as other global companies such as GE, Siemens, Kepco and Toyota.

Bidding for the project is set to close in January 2018, the ministry said in a statement.

"We are moving forward to diversify the kingdom's energy mix and to build a more sustainable and cleaner energy system that benefits Saudi Arabia and its citizens," said Saudi energy minister Khalid al-Falih.

He added that the country's ambitious renewable energy programme "will deliver real economic benefits by creating more than 7,000 jobs, increasing Saudi Arabia's non-oil GDP and nurturing a clean tech startup industry".

## US looking into whether Uber bribed foreign officials

AFP, San Francisco

**T**HE US Justice Department is investigating whether Uber broke American laws against bribing foreign officials to promote business interests, the company confirmed Tuesday.

San Francisco-based Uber said it was cooperating with an investigation into possible violations of the Foreign Corrupt Practices Act, but did not disclose details.

The act bars paying officials of foreign governments to get or keep business.

News of the US probe comes as Uber appears to have found a new hand to steady the wheel at the smartphone-summoned ride service, which has skidded from one controversy to another.

Uber has yet to confirm reports that Dara Khosrowshahi will replace ousted Travis Kalanick as chief at the world's most highly valued startup.

However, Expedia board chairman Barry Diller appeared to confirm the choice in a filing with the Securities and Exchange Commission.

"As you probably know by now, Dara Khosrowshahi has been asked to lead Uber," read a copy of a memo from Expedia board chairman Barry Diller to Expedia employees included in an SEC

filing.

"Nothing has been yet finalized, but having extensively discussed this with Dara, I believe it is his intention to accept."

Uber and Expedia did not respond to AFP requests for comment regarding the CEO choice.

Whoever takes charge at Uber will face challenges including conflicts with regulators and taxi operators, a cut-throat company culture and board members feuding with investors over Kalanick.

The US government earlier this year was reported to have launched an investigation into Uber for the use of secret software that enabled the company to operate in areas where it was banned or restricted.

A software program, called Greyball, first revealed by The New York Times in March, enabled drivers to avoid detection from the transportation authorities by identifying regulators posing as Uber customers in order to deny them rides.

Dents to Uber's image include a visit by executives to a South Korean escort-karaoke bar, an attempt to dig up dirt on journalists covering the company and the mishandling of medical records from a woman raped in India after hailing an Uber ride.



An Uber sign is seen in a car in New York.

## UK may shame firms over boss pay

AFP, London

The British government announced Tuesday reforms that could see companies that award generous pay packages despite shareholder opposition shamed in a public register, although the package was less ambitious than the original proposals.

The government of Prime Minister Theresa May has been considering reforms since last year following growing public anger over outside executive pay. One of the key proposals, which must be approved by parliament to become law, would require listed companies to reveal the pay ratio between bosses and workers.

Another would create a public register in which publicly traded companies would be listed if they went forward with executive pay policies despite the opposition of more than one-fifth of shareholders.

It is hoped the negative publicity over being listed in the register would encourage firms to better take into account the views of shareholders. But dropped from the initial proposals floated in November was giving shareholders a veto over executive pay. Votes on the issue during general shareholders meetings are usually non-binding.

## Russian central bank steps in to rescue troubled lender

AFP, Moscow

Russia's central bank said Tuesday it was stepping in to save the country's eighth largest lender, Otkritie, amid fears over its stability following a sharp drop in customer deposits in recent months.

The central bank said in a statement that it planned to become the bank's main investor and was taking measures to increase Otkritie's "financial stability."

Vedomosti business daily reported that this is the "biggest case of a bailout in the history of the Russian banking sector," as well as the first use of a new consolidation fund recently set up by the central bank and signed into force by President Vladimir Putin earlier this year.

Otkritie "will continue to work as usual," the central bank said.

The central bank would "provide financial support to the bank, guaranteeing the continuation of its activities," the statement said.

It said that the measures were being taken "in cooperation with the acting owners and management of the bank." It said it is not introducing a moratorium on creditors' demands.

# Harvey damage estimated at \$42b, among most costly US storms

AFP, Washington

**D**AMAGE from Hurricane Harvey could put it among the top five most costly US storms ever, with failing dams and levees driving up loss forecasts, data modeling showed Tuesday.

Estimates for total economic costs and damage shot up overnight to \$42 billion from \$30 billion, as flooding began to spread to Louisiana and flood control measures became overwhelmed, according to Chuck Watson, founder of the disaster modeling firm Enki Research.

While authorities still focused on rescuing survivors on Tuesday, the question of the storm's aftermath -- and its expected long-

lasting hit to the Texas and US economies -- was only beginning to come into view.

Recent research also shows natural disasters can result in more concentrated poverty in former disaster areas.

"If Harvey were your normal hurricane it would be probably a \$4 billion event," Watson told AFP. "That would be tragic for the people affected, but for the effect on the macroeconomy, we wouldn't be talking about it at all."

As yet, the storm is nowhere near as costly as 2005's Hurricane Katrina, which took a \$118 billion bite out of the regional economy.

But at \$42 billion in unrecoverable economic losses, Harvey would be about as damaging as Hurricane Ike, which struck Texas

and parts of the Caribbean at a cost of \$43 billion in 2008, and Hurricane Wilma, which tore through North America in 2005, with a cost of nearly \$38 billion, according to Watson's estimates.

And the Harvey estimate could still go up.

A US energy hub with \$1.6 trillion in annual economic output, Texas accounts for nearly nine percent of America's GDP, the second largest state economy after California -- and larger than Canada or South Korea.

Goldman Sachs estimated Monday that Harvey's disruptions to the energy sector alone could shave as much as 0.2 percentage points off of US GDP growth in the third quarter of this year.

Leah Boustan, professor of

economics at Princeton University, said that over time wealthier residents tend to flee the devastation, leaving poorer inhabitants to face the economic fallout.

Boustan co-authored a recent study which examined data from 5,000 US floods, earthquakes and storms spanning the 20th century.

"Translating our results into the context of Houston would suggest that 23,000 residents would move away from the area over the next 10 years," she told AFP.

"We also found that very severe disasters tend to increase the poverty rate in an area by around one percentage point, which for Houston would be an increase

from 25 percent to 26 percent of the population living below the poverty line," she added.

The Texas Gulf coast, home to nearly a third of the US oil refining capacity, has been ravaged by the most powerful hurricane to hit the state since 1961, which shuttered least 15 percent of US refining capacity, according to The Wall Street Journal.

In addition to oil and gas producers, Texas is home to defense contractors, computer components makers, manufacturing and a sprawling agricultural sector.

Natural disasters like floods and hurricanes can force entire towns into unemployment, interrupt tax collection and disrupt supplies of food and fuel for months, jacking up costs and reducing demand elsewhere.

According to the Insurance Information Institute, only 12 percent of homeowners in designated flood areas in the United States were covered by flood insurance in 2016.

Loretta Worters, a spokesperson for the institute, told AFP the uninsured could be looking at ruin without government assistance.

"It could be total loss for them," she said.

But Watson of Enki Research said the federal maps that designate flood-prone areas -- where homeowners usually are required to obtain flood insurance -- are inaccurate and obsolete, meaning the share of people insured against damage from Harvey will be minimal.

"Our initial estimate is that two-thirds of the flooding happened outside flood zones," he said.

Recovery will be especially difficult for the poorest wage earners, whose income stops the moment they are unable to work.

"They're not getting paid. They've got bills stacked up. Their homes are damaged," he said.

"That's where the real humanitarian disaster is going to happen.



A herd of cows stand on high ground to get out of the Hurricane Harvey floodwaters near East Columbia, Texas, on August 29.

REUTERS