

Fed to hold fire as US economy ends 2019 on a strong note

● US President Donald Trump has maintained a steady campaign to pressure the Fed to slash interest rates and pump up the economy, even as his trade wars create uncertainty that puts growth at risk

AFP | Washington

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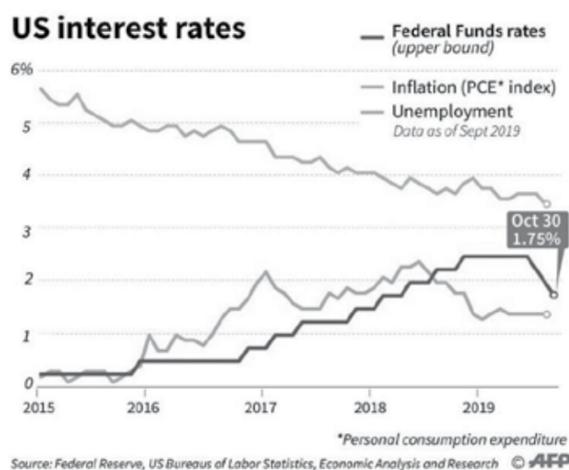


At this point in the long expansion, I see the glass as much more than half full

FED CHAIRMAN JEROME POWELL SAID IN A NOVEMBER SPEECH



US Federal Reserve publishes latest meeting minutes



US President Donald Trump

the situation and the uncertainty but at least you're not adding insult to injury which allows the consumer to move forward."

"The tipping point really is, you know whether or not we get some kind of phase one deal," she said.

Trump announced a deal in October but which still has not yet been signed, although more positive signals have trickled out.

As the summer came to an end, the Fed slashed lending rates, spooked by a slackening economy and the slow burn of a trade war that took several turns for the worse as the acrimony between Washington and Beijing mounted.

Those days were "far from dull," Powell said in the November speech, recalling queasy moments this year as manufacturing fell into recession, business investment tanked, exports sank and job creation figures were revised substantially downward.

Even amid more positive data, those dark spots in the economy have mostly persisted. Adjusted for inflation, consumer spending in October was the weakest since February.

Economists warned that pressure on the Fed to resume cutting could return.

Rubeela Farooqi, chief US economist at High Frequency Economics, told AFP she expected GDP growth could slip below two percent at the end of 2019 and into the first quarter of 2020.

"If that actually happens and you see other spillover effects, I think the FOMC will probably need to ease further in the first quarter of next year," she said.

September of next year, when another cut could occur.

The odds of a recession within the next 12 months, according to the New York Federal Reserve Bank, have also begun to decline (though they are still pretty high at about one in three).

The outlook could change dramatically depending on what happens to the trade conflict with China. If Washington and Beijing manage to seal a partial trade deal and at least cease hostilities, an end to uncertainty could give businesses a sharp boost.

A 'far from dull' summer

Economist Diane Swonk of Grant Thornton told AFP an apparent truce in the China trade war seemed to have lightened the mood among consumers and employers along with a helping hand from the Fed's stimulus.

"There has been this detente that's gone on for more than 50 days," she said. "It doesn't cure

With the strength of the world's largest economy on display at year end, the US Federal Reserve is all but certain to leave interest rates untouched at its final policy meeting of 2019 this week.

While Latin America and Europe are stagnant and China has begun to sputter worryingly, November's blockbuster US jobs report -- which blew past economists' expectations -- underscored the resilience of American labor markets despite headwinds from President Donald Trump's grinding trade war and signs of slower consumer spending.

In that context, the Fed may feel it can take a bow for piloting a Goldilocks economy: one that is just right.

The signs of resilience validate the Fed's decision in October to pause policy after three cuts in the benchmark lending rate this year. Policymakers can now wait to see how the econ-

omy performs early in the new year.

The rate-setting Federal Open Market Committee will release its decision at 1900 GMT on Wednesday, along with an updated quarterly economic forecast.

Since the last meeting in October, Fed members have made clear that monetary policy is in a "good place." However a "material change" in their outlook could cause them to move again.

"At this point in the long expansion, I see the glass as much more than half full," Fed Chairman Jerome Powell said in a November speech.

Consumer spending and confidence are strong. The housing market has picked up. Unemployment is still very low as hiring continues. GDP growth slowed in the third quarter but was still better than feared.

Futures markets as of Friday predicted the Fed would leave rates untouched until at least

UK PM Johnson promises lower immigration if he wins



Britain's Prime Minister Boris Johnson attends the launch of a general campaign poster at the Kent Showground in Detling, Kent, Britain

Reuters | London

British Prime Minister Boris Johnson promised lower immigration if he wins power in an election on Thursday, but said he was not hostile to allowing foreigners to work and live in Britain overall.

Britain votes on Dec. 12 in an election which will decide the fate of Brexit and the world's fifth largest economy with a stark choice between Johnson's pro-market Conservatives and the socialist-led opposition Labour Party.

"Numbers will come down because we'll be able to control the system in that way," John-

son told Sky News. "And what I don't think is right is to have an uncontrolled and unlimited approach to that."

Johnson has promised a points-based approach to controlling immigration. He said his focus would be cutting down on unskilled migration, but that there would be scope for high skilled and other workers to come to Britain.

"I'm not hostile to immigration ... I'm a believer in allowing people to come to this country and I think if they have talents and they want to do things and make their lives in the UK and they can contribute to our country - fantastic."

IMF and Ukraine reach tentative \$5.5 bn aid deal

Washington

The International Monetary Fund said Saturday it had reached an agreement in principle with Ukraine on a new \$5.5 billion, three-year aid program for the war-scarred country.

IMF Managing Director Kristalina Georgieva welcomed the deal, adding it was subject to IMF management approval.

Georgieva said she spoke by telephone on Saturday to President Volodymyr Zelensky and commended him on "impressive progress" on reforms and "sound economic policies."

"The President and I agreed that Ukraine's economic success depends crucially on strengthening the rule of law, enhancing the integrity of the judiciary, and reducing the role of vested interests," she said.

She added that it was "paramount to safeguard the gains



Ukrainian President Volodymyr Zelensky

made in cleaning up the banking system and recover the large costs to the taxpayers from bank resolutions."

The IMF and other international donors have repeatedly pressed Kiev to attract much-needed investment by addressing pervasive corruption and reducing the power of oligarchs.

But bankers and analysts said they fear the current authorities are targeting former bankers who have helped clean up the market instead of the oligarch owners of banks that go bankrupt.

French PM says he is determined to complete pension reform

Reuters | Paris

French Prime Minister Edouard Philippe said he is determined to see through his government's planned pensions reform, but the leader of hard-line union CGT said he will fight until the plan is withdrawn, the two men said in interviews published yesterday.

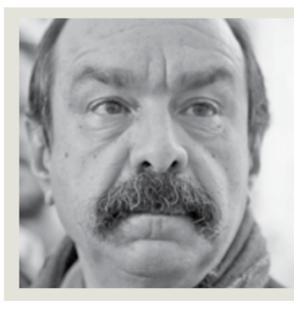
French transport systems were paralyzed for a fourth day on Sunday as unions at state railway SNCF and Paris public transport system RATP maintained their strike against the reform.

"I am determined to take this pension reform to its completion and I will do this respectfully and I will address people's concerns about it," Philippe told



French Prime Minister Edouard Philippe delivers a statement at the Hotel Matignon in Paris following a massive strike and protests against the government pensions reforms plan in France,

weekly *Le Journal du Dimanche*. "If we do not implement a



thorough, serious and progressive reform today, someone else will do one tomorrow, but really brutally," he added.

Philippe said on Friday that he will present a detailed outline of the pension reform plan on Wednesday.

CGT leader Philippe Martinez said his union would keep up its protest until the government drops the plan. "We will continue until the plan is withdrawn," he told the JDD.

"Let (Philippe) listen to people's anger. Let him say that

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We will continue until the plan is withdrawn. Let (Philippe) listen to people's anger. Let him say that only idiots never change their minds. Let him go back to square one

CGT LEADER PHILIPPE MARTINEZ

only idiots never change their minds. Let him go back to square one," Martinez said, adding that "there is nothing good" in the government reform plan.

France has one of the most generous pension systems among OECD countries. Pres-

ident Emmanuel Macron was elected in 2017 on a platform to liberalize the economy and reform the pension system.

Macron wants to introduce a pension system with equal rights for everyone and to do away with a set of sub-systems under which some workers at SNCF, RATP and other institutions can retire in their early fifties, a decade ahead of others.

Unions are planning a second demonstration on Tuesday, following a first demonstration in Paris on Thursday, when 65,000 people marched in Paris and 806,000 took part in protests nationwide, according to police figures.