US producer prices unexpectedly fall

- Wholesale energy prices shot up 7.7pc in June
- Gasoline prices rose 26.3pc after accelerating 43.9pc in May

Reuters | Washington

US producer prices unexpectedly fell in June as rising costs for energy goods were offset by weakness in services, pointing to subdued inflation that should allow the Federal Reserve to keep pumping money into the economy to arrest a downward spiral.

Still, deflation remains unlikely as the economy battles depressed demand caused by the COVID-19 pandemic. The report from the Labour Department yesterday also showed underlying producer inflation ticked up last month.

The producer price index for final demand dropped 0.2 per cent last month after rebounding 0.4pc in May. In the 12 months through June, the PPI declined 0.8pc, matching May's decrease.

Excluding the volatile food, energy and trade services components, producer prices rose 0.3pc in June. That was the biggest gain in the so-called core PPI since January and followed a 0.1pc rise in May. In the 12 months through June, the core PPI edged down 0.1pc. The core PPI dropped 0.4pc on a year-on-year basis in May, which was the largest annual decrease since the introduction of the series in August 2013.

A worker prepares boxes of free food for distribution at the Chelsea Collaborative, which distributes 6 to 7 thousand of boxes of food a week in a city hard hit by the coronavirus disease (COVID-19) outbreak, in Chelsea, Massachusetts, U.S

0.2pc
The producer price index for final demand dropped 0.2 per cent last month

The Fed tracks the core personal consumption expenditures (PCE) price index for its 2pc inflation target. The core PCE price index increased 1.0pc on a year-on-year basis in May, the smallest advance since December 2010. June's core PCE price index data will be released at the end of this month.

Supply disruptions

With a record 33 million people on unemployment benefits, inflation is likely to remain soft. Though businesses have reopened after shuttering in mid-March to slow the spread of COVID-19, new cases of the respiratory illness have surged in large parts of the country, causing uncertainty and curtailing domestic demand. Overseas demand has also tanked.

In June, wholesale food prices decreased 5.2pc after surging 6.0pc in May. Wholesale energy prices shot up 7.7pc in June after rebounding 4.5pc in the prior month. Gasoline prices rose 26.3pc after accelerating 43.9pc in May. Goods prices gained 0.2pc last month after jumping 1.6pc in May.

Excluding food and energy, goods prices inched up 0.1pc last month after being unchanged in May.

The cost of services dropped 0.3pc in June after falling 0.2pc in the prior month. Services were weighed down by a 1.8pc plunge in margins for final demand trade services, which measure changes in margins received by wholesalers and retailers.

UK economy to slump over 10pc, debts to surge - Moody's

Reuters | London

A view of an empty street, following a local lockdown imposed amid the coronavirus disease (COVID-19) outbreak, in Leicester, Britain

Britain will suffer the sharpest peak-to-trough economic slump of any major economy this year, rating agency Moody's warned on Friday, and ramp up national debt as a share of GDP by nearly a quarter.

Moody's said the UK government's latest 30 billion pound ($37.9 billion) stimulus package, announced this week, would aid a gradual economic recovery but add further pressure to the UK's fiscal position.

"The UK's public debt ratio will likely rise by 24 percentage points of GDP or more relative to 2019 levels," a group of Moody's top analysts wrote in a note.

"We forecast a contraction of 10.1 per cent in the UK's GDP for this year, but expect a gradual subsequent recovery on the back of the easing in lockdown measures, with growth rebounding to 7.1pc next year".

Moody's rates Britain Aa2 with a negative outlook following a series of cuts since the country voted to leave the European Union in mid 2016.

US bans Pakistan International Airlines flights

Reuters | Sydney

A Pakistan International Airlines (PIA) plane prepares to land at Islamabad airport in Islamabad

The US Department of Transportation said it has revoked permission for Pakistan International Airlines (PIA) to conduct charter flights to the United States, citing Federal Aviation Administration (FAA) concerns over Pakistani pilot certifications.

The information is contained in a revocation of special authorisation dated July 1 provided by the department yesterday.

Pakistan last month grounded almost a third of its pilots after discovering they may have falsified their qualifications.

S&P warns Dubai economy to shrink 11pc

Reuters | London

S&P Global warned that Dubai's economy was set to shrink 11 per cent this year, as it cut the credit ratings of two of the emirate's biggest property firms to 'junk' status.

Dubai, the Middle East's trade and tourism hub, has been hit hard by coronavirus-containment measures and is set for an economic contraction almost four times worse than during the global financial crisis in 2009, S&P said.

"We now expect Dubai's real GDP will shrink by about 11pc in 2020, compounding the economic slowdown that began in 2015," S&P analysts wrote in a note dated July 9, adding that the emirate's fiscal deficit was expected to balloon to about 4pc of GDP this year.

A growth rebound of about 5pc is expected next year, but real GDP growth will then slow to 2pc through to 2023, which would be half of what it has averaged for the last 10 years.

S&P downgraded Emaar Properties, the United Arab Emirate's largest property firm and the builder of the world's tallest building, Dubai's Burj Khalifa, to a BB+ 'junk' rating from an investment grade BBB- score.

It said it expected a 30pc-40pc slump in Emaar's earnings in 2020, a 15pc-20pc dive in overall revenues, while the anticipated recovery next year would be only partial.

DIFC Investments, a unit of the company running Dubai's International Financial Center free zone, was cut to BB+ from BBB- as well.

"We expect Dubai's balance sheet to deteriorate, reducing its ability to provide extraordinary financial support to its related entities," S&P's analysts said.

India suspends release of industrial output data

Reuters | New Delhi

India said yesterday it was suspending the release of headline industrial output numbers for May, part of a more-than two-month lockdown imposed to combat the coronavirus pandemic, due to inadequate data collection.

Most industrial businesses were not operating from March onwards, a statement released by the Ministry of Statistics said. The government earlier suspended the release of industrial production numbers for April as well as retail inflation data for April and May.

Industrial output contracted 34.71 in May according to Reuters calculations based on available data. Analysts' in a poll had forecast a 37.8 per cent drop.

Tesla rival Rivian adds $2.5 billion investment led by T. Rowe Price

The Rivian R1T all-electric truck

Reuters

Electric vehicle startup Rivian, which is backed by Amazon and Ford Motor and aims to put an electric pickup and SUV in production in 2021, boosted its war chest further with a $2.5-billion investment round led by T. Rowe Price, Rivian said yesterday.

The deal comes on the heels of electric car maker Tesla's meteoric rise in valuation and the recent public offering of Nikola Corp NKLA.O. Both Tesla and Nikola are planning electric pickups to rival Rivian.

The new round takes total investment in Rivian to at least $6 billion, including a $1.3 billion round in December led by T. Rowe Price and including Amazon, Ford and BlackRock, according to investor website Pitchbook.

Oil steadies on resurgence of virus cases

Reuters | London

Oil prices steadied yesterday but were still set for weekly declines as inventories rose and record-breaking new coronavirus cases in the United States stoked concern about the pace of economic recovery and fuel demand.

$42.4
was the price of Brent crude by 1338 GMT

Brent crude was up by 1 cent, or 0.02 per cent, at $42.36 a barrel by 1338 GMT, and US oil was up 4 cents, or 0.1pc, to $39.66 a barrel.

Brent was set for a weekly decline of almost 1pc and US crude for a fall of almost 2pc.

The International Energy Agency (IEA) bumped up its 2020 oil demand forecast on Friday, but warned that the spread of COVID-19 posed a risk to the outlook.

"While the oil market has undoubtedly made progress ... the large, and in some countries, accelerating number of COVID-19 cases is a disturbing reminder that the pandemic is not under control," the IEA said.

Prices also dropped after Libya National Oil Corporation announced it had lifted its force majeure on all oil exports after a half-year blockade by

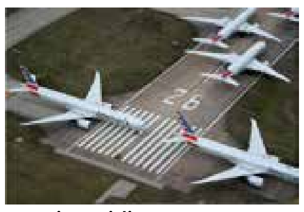
eastern forces.

Meanwhile, oil inventories remain bloated due to the evaporation of demand for gasoline, diesel and other fuels during the initial outbreak.

"If we take a bigger picture view of the market, what stands out to us is that we have not yet seen much of a decline on the global inventory front," JBC said.

US crude oil inventories rose by nearly 6 million barrels last week after analysts had forecast a decline of just over half that figure.

American Airlines threatens to cancel some Boeing 737 MAX orders - WSJ



American Airlines passenger planes crowd a runway where they are parked

Reuters

American Airlines Group Inc has threatened to cancel some of its orders for Boeing Co's grounded 737 MAX jets unless the planemaker helps secure funding for them, the Wall Street Journal reported yesterday.

American Airlines has struggled to secure financing for 17 jets it had expected Boeing to deliver this year due to the coronavirus crisis, the report said, citing people familiar with the matter.

Boeing has been working to help line up financing for American's 737 MAX jets, and under one possible scenario, the planemaker's financing arm could purchase the aircraft and lease them to American, eventually selling the planes and the payment stream to leasing companies, according to the report.

American currently has a total of 76 737 MAXs on order. The company declined to comment on the report.

Six candidates in race to be new Thai central bank chief

Reuters | Bangkok

Six candidates have applied to be the next Thai central bank governor to succeed Veerathai Santiprabhob, whose five-year term end in September, as the country combats the COVID-19 pandemic.

The new chief will face the tough task of reviving Southeast Asia's second-largest economy which the Bank of Thailand (BOT) predicts will shrink by a record 8.1 per cent this year.

China bank lending hits record $1.72 trillion in first half

Reuters | Beijing

New bank lending in China rose 22.3 per cent in June as authorities continued to boost credit and ease policy to get the world's second-largest economy humming again after a sharp coronavirus-induced contraction. Chinese banks extended 1.81 trillion yuan (204 billion pounds)in new yuan loans in June, up from 1.48 trillion yuan in May and slightly exceeding analysts' expectations, according to data released by the People's Bank of China (PBOC) yesterday.