

OECD cuts global growth forecast as tensions rise



Angel Gurría, General Secretary of the Organisation for Economic Co-operation and Development (OECD)

Paris, France

The OECD yesterday cut its forecast for the world economy, urging governments to resolve their trade disputes as the latest flare-up in the US-China trade war threatens to crimp global growth.

"Governments must act urgently to reinvigorate growth that benefits all," the Organisation for Economic Co-operation and Development said as it pared back its forecast for global growth to 3.2 per cent this year from 3.3pc earlier.

"Resolve trade disputes through increased international cooperation while fixing the international rules-based system," said the OECD, a Paris-based forum that advises the world's advanced economy.

"Invest in infrastructure, digital transformation and skills to meet tomorrow's challenges. In the euro area, combine structural with fiscal policies to stimulate activity."

The OECD's updated forecasts did not take directly into account the latest flare-up in the long-running trade war between Washington and Beijing, "insofar that there is still a great deal of uncertainty about the length of time (tariffs) will remain in place and the future evolution of the trade relationship between the two countries," an OECD source told AFP.

Nevertheless, the projections did "incorporate" the increased uncertainty generated by the trade tensions, the source said.

As both Washington and Beijing slap trade tariffs on more



Chief Economist of the Organisation for Economic Co-operation and Development (OECD) Laurence Boone

and more of each other's goods, President Donald Trump has barred US companies from engaging in telecommunications trade with foreign companies said to threaten American national security.

OECD secretary general Angel Gurría told a news conference it was imperative that Washington and Beijing bury their differences.

"There is an urgent need that we sit around a multilateral table and that we create the conditions that will allow trade to continue to underpin global growth and global well-being," he said.

"We have a lot of work to do, but if we do it together we will have a much better chance to succeed."

The organisation's chief econ-

omist Laurence Boone said the "worst scenario possible" was that trade tensions would continue and snowball.

"A climate of uncertainty (was) detrimental to investment and for confidence" and could erode purchasing power, she argued. While the OECD pared back its global growth forecast for the current year, it predicted a pick-up in activity to 3.4 per cent in 2020.

It notched up its forecast for US growth this year by 0.2 percentage point to 2.8 per cent, but predicted a slowdown to 2.3 per cent next year.

Chinese growth was projected to slow to 6.2pc this year and 6.0pc next year.

The outlook for euro area growth was unchanged at 1.2 per cent this year.

US business debt a 'moderate' economic risk: US Fed's Powell



Jerome Powell (Courtesy of WSJ)

Washington, United States

The American private sector's mounting debts pose a "moderate" risk to the world's largest economy, Federal Reserve Chairman Jerome Powell said Monday.

With corporate debts reaching historic highs relative to the size of the economy, public comment has run the gamut, according to Powell, either warning of grave danger or waiving off such threats as "nothing to worry about."

But the truth, he said, according to a copy of remarks prepared for a speech in Florida, was "likely somewhere in the middle."

"As of now, business debt does not present the kind of elevated risks to the stability of the financial system that would lead to broad harm to households and businesses should conditions deteriorate," Powell said.

"At the same time, the level of debt certainly could stress borrowers if the economy weakens."

Economists warn that after years of economic recovery and low interest rates, companies across the spectrum of US industries now frequently have debts that are several times greater than their earnings, with debt growing faster than the economy for the last decade.

Should interest rates rise or the economy slow, this could leave them struggling to repay, creating a risk to the wider economy.

Nevertheless, Powell said it was incorrect to draw parallels with the collapse in mortgage-backed securities which

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JEROME POWELL

led to the global financial crisis in 2008.

Banking reforms after the crisis have made the financial sector resilient enough to handle such losses, there are few signs of an asset price bubble and the investment vehicles used to trade in debt are more sound, according to Powell.

Nevertheless there is clear cause for concern, he said.

"Corporate debt relative to the book value of assets is at the upper end of its range over the past few decades," said Powell, adding that investment-grade corporate debts were verging on junk.

The Fed earlier this month issued a similar warning, saying in its latest report on financial stability that a large appetite for risk had kept stock prices relative to expected earnings above their average of the last 30 years.

The International Monetary Fund also warned recently that rising debt levels posed a threat to the global economy.

Adidas, Nike, PUMA say new tariffs would be 'catastrophic'

Washington, United States

Adidas, Nike and PUMA on Tuesday urged US President Donald Trump to prevent the shoe industry from falling victim to the trade war with China, saying new tariffs could be "catastrophic."

In a letter to Trump, those big name manufacturers joined forces with more than 170 other

American shoe manufacturers and retailers calling for footwear to be exempted from a new round of punitive tariffs on \$300 billion in Chinese goods.

In the escalating trade war with Beijing, Trump this month increased existing tariffs on \$200 billion in Chinese imports to 25 per cent, and is threatening to extend those du-

ties to nearly all Chinese products imported into the United States.

That would mean additional taxes on a range of consumer goods, including electronics and clothing, such as athletic shoes and iPhones, which has sparked fear in retailers and producers who rely on goods from China.

"The proposed additional

tariff of 25 per cent on footwear would be catastrophic for our consumers, our companies, and the American economy as a whole," the letter from the shoe coalition states.

The firms said the industry already pays \$3 billion in duties and that additional tariffs would increase costs and prices.

Ethiopia hosts \$173,000-a-seat dinner to beautify capital

Addis Ababa, Ethiopia

More than 200 people paid an eye-watering \$173,000 (150,000 euros) to attend a dinner thrown by Ethiopia's Prime Minister Abiy Ahmed, to raise funds to beautify the capital Addis Ababa, state media reported Monday.

The state-affiliated Fana Broadcasting Corporate published pictures of diners, some wearing tuxedos, seated at a long rose-covered banquet table.

"A seat at the event is valued at 5 million birr," the report said, adding that "over 200 individuals, representatives from local and international organizations" took part in the event.

The dinner was held to raise funds for a three-year project



The dinner was held to raise funds for a three-year project by PM to "lift the image" of the capital. (NDTV)

by Abiy to "lift the image" of the capital, a bustling, fast-changing city where modern buildings have shot up, construction is everywhere and greenery is scarce.

"The rapid growth and expansion of the city over the past few years has not adequately utilised the natural resources and beautiful topography that the city is endowed with," according to a video of the project posted on Abiy's website.

The video said that currently green cover is only 0.3 square metres per capita in Addis Ababa, and the project hopes to raise this to seven square metres per capita -- in line with average green coverage in Africa.

The project along an area of

56 square kilometres (21 square miles) envisions parks, bicycle paths and walkways along the rivers of the capital, the planting of trees and the development of urban farms.

It is estimated to cost \$1 billion, according to Fana.

Abiy's website said that those present at the dinner would have a plaque with their name on it placed along the project route, and would have a private photo-op with the prime minister. The pictures would be compiled into "an album of individuals who changed the face of Addis Ababa."

Abiy has won praise for his reformist agenda since taking office in April last year.