

Mnuchin, Powell say some \$380 billion in unused aid could help US economy

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AFP News



Treasury Secretary Steven Mnuchin

As much as \$380 billion from the US Congress' last big coronavirus aid package is unused and could help households and businesses if lawmakers approve, Federal Reserve Chair Jerome Powell and Treasury Secretary Steven Mnuchin said on Thursday.

That is far short of the \$500 billion to \$1 trillion many economists had expected in new fiscal stimulus for the flagging recovery. But rising tensions between

Republicans and Democrats have made a new relief package ahead of the Nov. 3 election look increasingly unlikely.

The unused money, authorised by Congress in March as part of a \$2.3 trillion aid package but not yet spent, could go a long way to tide over businesses and keep people who have lost work from losing their homes.

"It would not cost an extra penny," Mnuchin told members

of the Senate Banking Committee in a hearing on Capitol Hill, where he appeared jointly with Powell. Congress would need to give permission for reshuffling the money, he said.

The Treasury still has \$200 billion in unused funds earmarked to backstop emergency programs launched by the US central bank after the coronavirus outbreak, Mnuchin said.

The Fed's lending programs

got far less use than initially thought, in large part because their very availability helped return disrupted credit and financial markets to more normal functioning.

Separately, some \$130 billion is left in the now-expired Paycheck Protection Program that could go to help small businesses, Mnuchin said.

In addition, Powell said in response to a question from com-

mittee chair Mike Crapo, most of the \$75 billion allocated to backstop the Fed's Main Street Lending Programme remains unused.

The programme, which has so far lent about \$2 billion to medium-sized companies, could extend as much as \$30 billion in loans by year's end, Powell said Thursday.


With the Treasury committing \$1 for every \$8 loaned under the programme, that would still leave idle \$70 billion of the Treasury's backstop.

Despite a return to growth, after last quarter's sharpest economic downturn in the postwar period, 11 million Americans remain unemployed. Any money remaining from stimulus checks and extra unemployment benefits from the earlier pandemic relief package is quickly running out.

"The risk is they will go through that money, ultimately, and have to cut back on spending and maybe lose their home or their lease," Powell said.

Without further government aid, he said, "we will see, sooner or later, probably sooner, we will see that the economy has a harder time sustaining the growth that we've seen, that's the risk."

The focus on reallocating unused sums from the earlier relief



Under Crapo's questioning, Powell agreed that some of the money - perhaps \$50 billion, Crapo said - could be put to better use to help the economy, including for the paycheck protection programme to help small businesses "and after that I would say, something more for those who remain unemployed."

package has emerged as Congress remains deadlocked over providing new fiscal relief less than six weeks before Election Day.

Mnuchin told senators that he and House Speaker Nancy Pelosi had agreed to discuss stimulus further. Asked by reporters Thursday if she had heard from Mnuchin, Pelosi said "I spoke to him yesterday. I don't know if we have a call today or not."

G7 backs extension of G20 debt freeze

Reuters | Washington/Paris

G7 finance ministers yesterday backed an extension of a G20 bilateral debt relief initiative for the world's poorest countries, but said it must be revised to improve its implementation.

In a lengthy joint statement, the ministers from the Group of Seven advanced economies said they "strongly regret" moves by some countries to skip participation by classifying their state-owned institutions as commercial lenders.

The ministers also acknowl-



Flags are placed at the G7 summit in Taormina, Italy

edged that some countries will need further debt relief going forward, and urged the Group of 20 major economies and Paris Club creditors to agree on terms by next month's meeting of G20 finance ministers.

Italy hikes deficit targets, sees debt around 156pc of GDP in 2021

Reuters | Rome

Italy is preparing to raise its budget deficit goals for this year and next and target public debt at around 156 per cent of national output in 2021 because of the coronavirus crisis, two government sources said yesterday.

The Treasury will raise the target for the 2020 deficit to about 12.8pc of gross domestic product from an 11.9pc goal set a month ago. The 2020 debt should be near 160pc of GDP, up from a previous estimate of 157.6pc.

The new forecasts, still to be set as talks continue in the ruling coalition, will be published next week in the Treasury's Economic and Financial Doc-



A statue on the Fountain of Neptune is seen in Naples

ument (DEF), which forms the framework of the 2021 budget. The DEF will target the deficit in 2021 at 7pc of GDP compared with a previous projection of 5.7pc set in April, the sources said, asking not to be named because of the sensitivity of the matter.

Harley close to deal with India's Hero

● Harley, known for its heavy touring motorcycles, struggled in India

Reuters | New Delhi

Harley-Davidson Inc is in advanced talks with India's Hero MotoCorp for a distribution deal which will allow the US company's motorcycles to be sold in India, after it stops local manufacturing there, three sources told Reuters.

The Milwaukee-based company said on Thursday it will stop sales and shut its manufacturing plant in India, effectively abandoning the world's biggest motorcycle market after a decade of unsuccessful efforts to gain a foothold.

Harley, however, is in talks with Hero over a distribution arrangement that will allow the Indian company to import and sell Harley bikes as its sole distributor, two sources with familiar with the talks said.

"Hero will be the master distributor for Harley bikes in

In a statement on Friday, the Federation of Automobile Dealers Associations (FADA) in India criticised Harley for not informing dealers about their India plans.

"It goes without saying that dealers who have invested their hard-earned capital in this iconic brand are left like an abandoned baby without any compensation package," FADA said.



The logo of US motorcycle company Harley-Davidson is seen on one of their models at a shop in Paris, France,

India ... This will be a partnership, a strategic alliance," said one of the sources, all of whom declined to be named as the discussions were private.

Discussions are also ongoing to let Hero become a contract manufacturer for at least one Harley motorcycle with 300-600 cc engine capacity, which it will launch later, the first source added. The financial details of the deal were not immediately clear.

Asked about talks with Hero, a Harley spokeswoman said the company would not comment on speculation. On Thursday, it said it was changing its business model in India evaluating options to continue to serve customers.

Hero MotoCorp, India's largest two-wheeler manufacturer by sales, also declined to comment on market speculation. It produced 6.4 million two-wheeler scooters and motorcycles in the fiscal year

ending March 2020, a third of India's total output.

Harley manufactured 4,500 motorcycles during that period, largely assembled from imported knock-down kits at its plant near New Delhi, which it will shut as part of its restructuring.

Harley, known for its heavy touring motorcycles, struggled in India mainly because of high import duties - which US President Donald Trump often criticised India for - and also because its locally assembled bikes faced high taxes.

Hero typically sells motorcycles with engine capacity of under 200 cc and a deal with Harley will boost its entry into the mid- and high-engine market favoured by biking enthusiasts and fashion conscious younger riders, the second source said. Harley's 33 dealerships will likely come under Hero's management under the new arrangement, said one of the sources.

Dubai airport free zone signs MOU with Israeli chambers of commerce: Report

Reuters | Dubai

The Dubai Airport Free Zone Authority (DAFZA) has signed a memorandum of understanding with the Federation of Israeli Chambers of Commerce (FICC), Dubai Media Office said yesterday.

The agreement aims to support Israeli companies in establishing business in Dubai, part of the United Arab Emirates. The UAE and Israel agreed in August to normalise ties between the two countries.

Oil heading for weekly drop

Reuters | London

Oil prices fell yesterday and were set for a weekly decline due to mounting worries about the impact on fuel demand of a widespread resurgence in coronavirus infections, as well as some concern about the likely return of exports from Libya.

Brent crude LCOc1 was down 30 cents at \$41.64 a barrel by 1115 GMT, while US West Texas Intermediate (WTI) crude CLC1 fell 43 cents to \$39.88. Brent is heading for a drop of more than 3% this week.