

China Jan-Feb industrial output shrinks 13.5pc; investment plunges 24.5pc

BEIJING: China's industrial output contracted at the sharpest pace in 30 years in the first two months of the year as the fast spreading coronavirus and strict containment measures severely disrupted the world's second-largest economy, data showed on Monday. Urban investment and retail sales also fell sharply and for the first time on record, reinforcing views that the epidemic may have cut China's economic growth in half in the first quarter. Industrial output fell by a much more than expected 13.5 per cent in January-February from the same period a year earlier, the weakest reading since January 1990 when Reuters record started, and a sharp reversal from 6.9 per cent growth in December, data from the National Bureau of Statistics showed. The median forecast of analysts polled by Reuters was for a rise of 1.5 per cent, though estimates varied widely. Fixed asset investment fell 24.5 per cent year-on-year, compared with 2.8 per cent predicted by analysts and 5.4 per cent growth in the prior period. Retail sales shrank 20.5 per cent on-year, compared with a rise of 0.8 per cent tipped by analysts and plunging from 8 per cent growth in December as consumers fearful of the virus shunned crowded places like shopping malls, restaurants and movie theatres. Chinese officials said last week that the peak of the epidemic has passed, but analysts warn it could take months before the economy returns to normal. The fast spread of the virus around the world is sparking fears of a global recession that will dampen demand for Chinese goods. —Reuters

Quarantined bankers, video roadshows: Coronavirus hits Argentine debt talks

BUENOS AIRES/NEW YORK: Argentina's ambitious target to strike a deal with bondholders to revamp almost US\$70 billion in debts by the end of March was never going to be easy. Now a coronavirus outbreak and crashing bond markets threaten to complicate things further. The South American country is seeking "substantial relief", Economy Minister Martin Guzman told Reuters last week, but is far from certain to hit its March 31 deadline for a deal, with meetings with creditors affected by the pandemic. Argentina has imposed quarantines and suspended travel with the United States and countries around Europe, home to major creditors including Pimco and BlackRock Inc. The country itself has 56 cases and two deaths, official data show. "The (government's) timetable was never realistic to begin with and the fallout from the virus is slowing it down even more," said a U.S.-based bondholder involved in one of the creditor committees for Argentine debt. "To put this in perspective, some of the financial advisors that had flown into Argentina to assist with the process are now in the middle of a two-week quarantine," the investor said. "We have always considered May a more realistic time frame." Guzman told Reuters that the talks may miss the March 31 deadline by "a few days" with road shows for the government's debt proposal affected by the virus. "The plan was to have a road show. Now we are closely monitoring the coronavirus situation, which makes traveling difficult for everyone," Guzman told Reuters, adding some meetings were being done remotely by video. "Indeed video-conference might become an option we will resort to more over the coming days... Meetings in person are better but there are limitations to what we can do under current circumstances." —Reuters

US Fed slashes key interest rate to 0-0.25pc amid pandemic



WASHINGTON: Faced with a growing economic shutdown amid the global new coronavirus pandemic, the Federal Reserve announced drastic emergency measures to shore up confidence and keep the financial sector running, including slashing the key interest rate to virtually zero.

The Fed made its second emergency rate cut in less than two weeks, cutting the benchmark borrowing rate to a range of 0-0.25 per cent, where it was during the 2008 global financial crisis, and pledged to keep it there "until it is confident that the economy has weathered recent events." The central bank also announced massive asset purchases, opened its discount lending windows to banks and urged them to use it to help businesses and households. In another move, it removed bank reserve requirements to allow them to use cash backstops.

The Fed joined forces with other major central banks to guarantee the global financial system has enough cash to continue to operate. The action was coordinated with the European Central Bank, Bank of England, Bank of Japan, Bank of Canada and the

Swiss National Bank. President Donald Trump, who in the past has repeatedly berated the independent central bank for not acting more aggressively, praised the moves.

"What's happened with the Fed is phenomenal news," Trump said at a regular briefing of his coronavirus task force. "It's a tremendous thing that took place just now," he said. "I can tell you, I'm very happy. I didn't expect this. And I like being surprised."

The massive show of financial force as more countries are on lockdown due to the spread of the COVID-19 illness aims to contain the economic fallout as businesses are forced to shut their doors, in an already sluggish global economy. "The swap lines are available standing facilities and serve as an important liquidity backstop to ease strains in global funding markets," a joint statement from the central banks said. The Fed's policy-setting Federal Open Market Committee, following its emergency meeting, said that "the coronavirus outbreak has harmed communities and disrupted economic activity in many countries, including the United States." The committee, which had been due to hold

a regularly-scheduled two-day meeting starting Tuesday, vowed to "use its tools and act as appropriate to support the economy," though what tools it has left is a question.

One FOMC member dissented from the vote. Cleveland Fed President Loretta Mester objected only to the move to take the federal funds rate nearly to zero.

'TIME IS OF THE ESSENCE': In the wake of the global financial crisis, the bank regulators including the Fed had required lending institutions to build up a large cash buffer in case of another emergency, so they would not require a government bailout. The Fed decision on Sunday unleashed those reserves so bank can help support families and businesses, with more than US\$4 trillion at their disposal. "This action eliminates reserve requirements for thousands of depository institutions and will help to support lending to households and businesses," the Fed said.

And it encouraged banks to make use of low-cost short-term loans from the central bank, saying "depository institutions may borrow from the discount window for periods as long as 90 days, pre-payable and re-

newable by the borrower on a daily basis." In addition it will resume the "quantitative easing" policy used during the last crisis that involves buying debt to keep money flowing through the economy. The Fed will in coming months buy US\$500 billion in US Treasury debt and US\$200 billion in mortgage-backed securities.

Economists praised the rapid and aggressive policy steps. "We have been urging this action for some time and we're very happy that the Fed did not wait until Wednesday's meeting," said Ian Shepherdson, chief economist at Pantheon Macroeconomics.

"Time is of the essence. Lower rates and QE should, other things equal, boost all asset price, depress the dollar, and boost money supply growth." However, he echoed the feelings of many in calling for more aggressive spending measures by the government.

He called on Congress "to do as much as possible in order to limit the immediate hit. They could find US\$1T (trillion) for a completely ineffective tax cut, and now they need to find another US\$1T, at least, to rescue the economy." —Reuters

Nike, Under Armour join retailers shutting stores to limit virus spread

NEW YORK: Nike, Lululemon Athletica and Under Armour said they would close stores in the United States and other markets, joining a growing list of major retailers moving to help limit the spread of the coronavirus.

The virus, which began in China at the end of last year, has led to school closures and canceled sports events in the United States and beyond. It is widely expected to hit retail sales as shoppers stay home to avoid catching the highly contagious COVID-19 respiratory illness that the virus causes.

The United States' top infectious disease expert Dr. Anthony Fauci said conditions would likely get worse before they get better. Nike said it will close stores in Canada, Western Europe, Australia and New Zealand from March 16 to 27. It will continue normal operations at stores in South Korea, Japan, most of China and in many other countries. "We are taking additional steps in other Nike-managed facilities, including the option to work from home," the U.S. sportswear firm said in a statement. Under Armour said it would shutter all North America stores from Monday for about two weeks. Lululemon said it would close its stores in North America and Europe for a similar period. "We are living in uncertain times and we're learning more about



this virus every day," Lululemon said in a statement. Nike and Lululemon operate over 650 stores combined in the United States, while Under Armour has nearly 190 stores in North America, showed the companies' latest annual reports. Each said their online stores would continue to be open.

Apparel retailer Lands End Inc and Columbia Sportswear Co also said on Sunday they would temporarily shut all of their stores in the United States and North America respectively. Gap is temporarily reducing store hours for all of its locations in the United States and Canada, and closing over 100 stores,

incoming Chief Executive Sonia Syngal said in a message posted on the company's website. Apparel retailer Urban Outfitters, which owns brands including Anthropologie and Free People, said on Saturday it would close its stores worldwide until at least Mar 28.

Last week, retailers including Macy's and Saks Fifth Avenue sent notices to shoppers saying they were open for business, in a move to stem losses due to a drop in store traffic. Earlier this month, Nike temporarily closed its European headquarters in the Netherlands after an employee was infected with the coronavirus. —Reuters

Feed the hamster: German retailer asks students to restock shelves

BERLIN: A German supermarket chain called on Monday for students whose universities have shut due to the coronavirus crisis to help it refill its shelves after shoppers stockpiled many essential goods, known as "hamstering" in German.

People across Europe have been panic-buying goods from toilet rolls to paracetamol as governments apply ever more stringent restrictions on daily life to try to curb the spread of a virus sweeping across the continent. British food retailers came together to warn hoarding could lead to vulnerable people being left without, while Dutch Prime Minister Mark Rutte told shoppers on Friday to stop stockpiling. Germany's second-biggest supermarket group REWE said on Monday anybody who wanted to work in its stores could apply directly, without any complications, including students who might be looking for something to do because their universities are closed. "We at



REWE and Penny will continue to make sure that people in Germany are adequately supplied with food. Everyone can rely on this," REWE chief executive Lionel Souque said of the group's REWE supermarkets and Penny discount stores.

At one REWE store in central Berlin, the shelves had been stripped bare of toilet paper, tinned goods, long-life milk, flour and butter, while others were emptying quickly, even as store assis-

tants hurried to refill the gaps. The virus has been spreading rapidly in Germany and schools and nurseries across the country are closing this week until after the Easter holidays at the end of April, although residents have not yet been told to stay indoors. The German retail association (HDE) denied rumors on Sunday that opening hours of stores could be restricted and assured shoppers that its members could meet their needs, despite the strain

on logistics. "There are enough products on the market. Nevertheless, bottlenecks for one or the other product will be temporarily unavoidable," said HDE general manager Stefan Genth. "If all households stockpile for a longer period than usual, this can quickly overstretch the existing supply structures".

To help move more goods from warehouses to stores, Germany's federal states have relaxed a ban on Sunday driving for trucks and allowed work on Sunday for logistics and distribution. Workers for food retailers would also get access to emergency daycare for their children when schools and nurseries close as the industry counts as part of critical infrastructure, the HDE said. There were long lines at supermarkets in the southern German state of Bavaria even as it relaxed its usual tight limits openings and said essential stores would be allowed to open on Sundays from midday to 6 p.m. —Reuters



ITALY: Employees of Fiat SpA work on new car "Panda" at the Fiat plant in Pomigliano D'Arco, near Naples.

Fiat Chrysler halts production in Europe as coronavirus hits demand

MILAN: Fiat Chrysler Automobiles (FCA) is halting production for two weeks at most of its European plants to help protect staff against the coronavirus pandemic and adjust to a slump in demand, the Italian-American carmaker said on Monday.

Italy has been the European country worst hit by the crisis and the first to enforce a nationwide lockdown, which has now been replicated by Spain and, to a lesser extent, by France as the virus sweeps through the continent. With all non essential services closed, including car dealers, and people forced home except for strict working needs, many forecast a heavy fall in car sales in March.

FCA - which according to analyst estimates produces around 25 per cent of its vehicles in Europe - said the suspensions through March 27 would allow it "to effectively respond to the interruption in market demand by ensuring the optimization of sup-

ply". Marco Opipari, an analyst at Fidentis, said a few weeks of closures was not a big problem in an over-supplied European auto industry and lost production could be recovered later on.

"The real problem is on the demand side, people are not buying cars now, and sales volumes are expected to be very bad in March, with a real impact on automakers' earnings," he said. FCA said in a statement that production for its FCA Italy and luxury Maserati units would stop for two weeks, extending a temporary closure period already planned for some Italian facilities. Affected plants are Melfi, Pomigliano, Cassino, Mirafiori, Grugliasco and Modena in Italy, Kragujevac in Serbia and Tychy in Poland.

The FIOM union said FCA's decision was "necessary". The carmaker said the freeze would help it to resume activity promptly once market conditions allow it. "The group is working

with its supply base and business partners to be ready to enable our manufacturing operations to deliver previously planned total levels of production despite the suspension when market demand returns," it said.

FCA's decision follows similar moves by other Italian car and auto part makers, as the coronavirus outbreak deals another blow to a European automotive industry already struggling with weak global demand and tough new pollution regulations. Italy is still allowing manufacturers to operate provided they comply with strict safety measures. However, a growing number of companies are opting to suspend production. Last week, luxury carmaker Ferrari said it was closing its two plants until March 27, citing an emerging shortage of parts. Premium brakes maker Brembo, whose clients include Maserati, said it would temporarily close its four Italian plants this week. —Reuters