IMF Mission Arrives in Argentina

Delegates from the International Monetary Fund land in Buenos Aires on Saturday as concerns about Argentina's economy cast doubt upon the future of its record $56 billion bailout, Bloomberg reported.

BMW, Mercedes-Benz ensnared again in US-China trade war

LUKE SHARRETT/BLOOMBERG

When China responded to President Donald Trump's trade war with an extra 25 percent tariff on US-made cars in mid-2018, the move cut the number of vehicles exported from America by half.

China dropped the added levies for most of 2019 but is now threatening to bring them back as part of its latest escalation of the tit-for-tat with Trump. While American carmakers Ford Motor Co. and Tesla Inc. would suffer, a bigger blow would be felt by German companies that build Mercedes-Benz and BMW sport-utility vehicles at plants in Alabama and South Carolina, according to Bloomberg.

"This puts the industry in a very difficult position," said Alan Baum, an independent auto analyst in West Bloomfield, Michigan. "This could prompt a reaction from the US, which could mean more tariffs on parts from China. It makes it difficult for automakers to plan on where to invest."

After the market closed on Friday, Trump tweeted out his response. He said he will raise tariffs already in effect on $250 billion of Chinese imports to 30 percent from 25 percent on Oct. 1 and tax the remaining $300 billion in imports at 15 percent instead of 10 percent starting Sept. 1.

Together, BMW AG and Daimler AG sold six of the 10 most popular US vehicles exported to China during 2018. The trade war cost BMW €300 million ($333 million) in 2018, and Mercedes parent Daimler was the first major global corporation to cut profit targets because of trade last year. Yet even companies such as General Motors Co. that produce locally most of the cars they sell in China could be hit by levies on auto parts and further retaliation measures.

Shares of BMW fell 3.2 percent to the lowest level in almost seven years on Friday, while Daimler declined 3.1 percent. Tesla, the most exposed US manufacturer, slumped 4.8 percent in New York, and GM and Ford also dropped.

While uncertainty about trade barriers — including potential US levies on imports from the European Union like high-margin Porsches — has eaten into carmaker valuations, the companies have had almost two years to adjust to the new reality. Here's a rundown on their exposure to the new tariffs and what they're doing to mitigate the impact.

BMW

BMW in 2018 calculated a full year of tariffs between the US and China would cost it about €600 million, though the countries came to an agreement shortly before that scenario was realized. The company makes its entry-level X1 SUV locally through a joint venture with Brilliance China Automotive Holdings Ltd. and has plans to increase its ownership to 75 percent by 2022.

The Munich-based carmaker also moved local production of its X3 SUV to China in May 2018, around the time the first round of retaliatory Chinese tariffs kicked in. Its best seller, the X5, is shipped in ready-to-assemble kits to Thailand before continuing on to China, avoiding any new penalties on US imports. Most exposed is the Spartanburg-made X7, BMW's largest, which has sold well in China.

Between five percent and 10 percent of group earnings would be wiped out over a full year, Juergen Pieper, an analyst at Bankhaus Metzler, said in an email. "A second-half recovery would be difficult to achieve."

Daimler

Mercedes-Benz never quantified the earnings impact of the trade war and has faced a range of other problems, including a regulatory crackdown on its diesel cars in Europe and production disruption affecting its popular GLE SUV. It has said additional tariffs may prompt it to consider assembling some SUVs in Southeast Asia, as BMW does with the X5, for export into China.

The carmaker will start local production of its first all-electric SUV, dubbed EQC, in China at the end of this year.

Tesla

Tesla exports its pricey Model S sedan and Model X sport-utility-vehicle to China, along with the lower-priced Model 3. About 14 percent of its global output in the first half was sold there, according to Credit Suisse analyst Dan Levy.

Chief Executive Officer Elon Musk has high hopes for the Model 3 in China and has been focused on getting the company's plant in Shanghai running by the end of this year. The Chinese tariffs are due to take effect in December, so the impact will depend on how quickly the plant starts production.

Ford

Ford expects China to become Lincoln's biggest market, surpassing the US over next few years. Almost 10 percent of its sales in China were imported, the vast bulk of them from the US — including top sellers such as the Mustang sports car and F-150 Raptor pickup truck. Three quarters of Ford's exports to China are Lincoln models, and while all are now made in North America, local production of the Corsair small SUV will begin late this year.

"We encourage the US and China to find a near-term resolution on remaining issues through continued negotiations. It is essential for these two important economies to work together to advance balanced and fair trade," the company said Friday after the new tariffs were announced.

Avoiding levies is a key reason Lincoln plans eventually to build all its models in China, except for the Navigator SUV, which doesn't sell in large enough numbers. "We see China as ground zero for Lincoln, given the size of the market and how well the brand has been received," Bob Shanks, Ford's then-Chief Financial Official, said in May.

GM

The US automaker would have little exposure to the new tariffs. GM does send some American-made parts to China, but the impact is minimal, according to Levy, the Credit Suisse analyst.

The bigger risk to GM and companies with few exports to China is that there could be greater retaliation against their operations in China, or the Trump administration could add tariffs on parts made in China for US vehicles, said Baum, the independent auto analyst.

Sweden economists call for green fiscal policy to stop recession

THOMAS JANISCH/GETTY IMAGES

Sweden and the European Union should ease regulation and allow for a more expansive and greener fiscal policy to counter the threat of a global recession, Swedbankeconomists Anna Breman and Andreas Wallstrom said in op-ed published on Saturday in the Dagens Nyheternewspaper.

The two economists argue that the Swedish government has enough fiscal leeway to support greener investments without increasing the general tax level, starting with the 2020 budget, Bloomberg wrote.

The bank estimates that the government could run yearly budget deficits of 50-70 billion kronor ($5-7 billion) without increasing the country's public debt-to-GDP ratio.

Other suggestions include:

- Taking advantage of negative rates to carry out climate-smart investments in infra-structure and technology
- Allowing exemptions to the EU's strict fiscal rules for countries that borrow to fund green investments
- Expanding and speeding up plans by the Swedish Debt Office to issue green bonds
- Encouraging the Riksbank to consider buying green corporate and government bonds

Lebanese government says committed to reforms after rating downgrade

MOHAMED AZAKIR/REUTERS

The Lebanese government has vowed to make urgent progress on reforms to help overcome a worsening economic crisis that prompted Fitch Ratings to cut the country's credit rating.

Speaking after Fitch downgraded the sovereign to CCC on debt-servicing concerns, President Michel Aoun said the current crisis had been brewing for many years, but that 'everyone' was now working to tackle its causes, Reuters wrote.

S&P Global, which on Friday affirmed Lebanon's credit rating at B-/B with a negative outlook, said it considered Lebanon's foreign exchange reserves sufficient to service government debt in the 'near term'.

However, Finance Minister Ali Hassan Khalil said both ratings reports showed the urgency for reform, which the government has long put off. "There should be no slacking for a single moment," he told Reuters.

"We will deal responsibly with the reports," Khalil said. "We are confident we will be able to get out of the crisis."

Lebanon is grappling with one of the world's heaviest public debt burdens at 150 percent of GDP and years of low economic growth.

Quarter of Scottish workers struggling to live on income

GETTY IMAGES

Almost one in four working people in Scotland are struggling to get by on their salary.

A YouGov survey for Citizens Advice Scotland (CAS) found the number of workers finding it hard financially has risen since 2017, BBC reported.

The poll of 1,009 employed adults in Scotland found 24 percent were either finding it difficult or very difficult to live on their present income.

Two-fifths (41 percent) of respondents said they were coping on current pay.

Meanwhile, 28 percent said they were living comfortably on their present income, and six percent said they were very comfortable.

The study was carried out online between March 12 and 23 this year.

In a similar study carried out for the charity in 2017, around 21 percent of respondents said they were finding it either difficult or very difficult to live on their income.

Also in that survey, which involved 881 employed people, 37 percent said they were either living comfortably or very comfortably based on their income.

'Everyday strain'

The charity said the latest figures highlight a 'continuing squeeze' on incomes from the rising cost of living, stagnant wages and cuts to social security.

CAS chief executive Derek Mitchell said, "These figures highlight the strain that people are under in Scotland and reflect what our advisers see every day.

"Many people who are in work are finding it hard to pay their bills and put food on the table.

"The Citizens Advice network in Scotland is able to give real support to clients. We can check whether you are entitled to energy grants, council tax reductions or social security benefits that you are not claiming.

"It is surprising how often people can access new money they didn't even know about.

"We urge people who are finding it hard to get by to contact us today to make sure they are not missing out on money."

Japan's underlying inflation rate at 0.6% in July

thechronicleherald.ca

Japan's underlying inflation rate remained at 0.6 percent in July, the government said in a report, still well short of the Bank of Japan's (BoJ) two-percent inflation target.

According to the Ministry of Internal Affairs and Communications, the consumer price index, excluding fresh food because of its volatility, stood at 101.5 against the 2015 base of 100, with core CPI rising for the 31st straight month, Xinhua reported.

The ministry said the rise was attributable to higher distribution costs and rising prices for materials, which lifted the price of food.

Non-perishable foods prices increased 1.2 percent as ice cream climbed 6.9 percent in price on higher raw material and transportation costs, the ministry said.

Energy costs rose 0.6 percent in July. Electricity prices increased 2.7 percent, gas prices were up 2.7 percent and oil product prices fell 2.7 percent, as prices for gasoline slumped 4.4 percent, in the recording period, the ministry said.

"There is no change in our view that consumer prices are on a moderate upward trend," a ministry official was quoted as telling a press briefing.

The official said that the government would pay close attention to the effects of crude oil prices on the index.

Looking ahead, gas and electricity bills were expected to fall due to lower crude oil prices, the ministry said.