

Brooks Brothers goes bankrupt

Brooks Brothers, the 200-year-old company that dressed nearly every US president, filed for bankruptcy protection Wednesday, the latest major clothing seller to be toppled by the coronavirus pandemic. Founded in New York in 1818, Brooks Brothers survived two world wars, the Great Depression and even managed to stay afloat as dress standards eased in the office. But the pandemic pushed it into Chapter 11 bankruptcy protection with so many stores closed and, with millions working from home, a crisp suit pushed to the very bottom of shopping lists.

Brooks Brothers will permanently close more than a quarter of its 200 stores.

The retail sector was under severe pressure even before the pandemic. Rival Barneys New York filed for bankruptcy protection late last year. Since COVID-19 began to spread in the US, J.Crew, Neiman Marcus, J.C. Penney and other national retail chains have followed suit.

The virus has hollowed out spending in many places and the accelerated the shift to online shopping, mostly to the benefit of big retailers like Walmart, Target and Amazon.com. Stores have begun to open in some parts of the country, but millions of people are still hunkered down at home. There are regions in the US that are now getting hit with a wave of infec-

tions and some companies like Apple are shutting down stores again in those areas.

Brooks Brothers said Wednesday that it will continue operations as it restructures and is looking to reopen shops that are not being closed permanently. The company employed 4,000 people in March, before it furloughed about a third of its workers.

Jonathan Pasternak, a bankruptcy lawyer at Davidoff Hutterer & Citron, said that even before the pandemic, Brooks Brothers' store expansion and the cost of making clothes in the US had created a financial burden, but he does not believe the company will disappear. (AP)



This file photo shows a man passing a Brooks Brothers store on Church St in New York. The storied Manhattan fashion retailer Brooks Brothers is filing for bankruptcy protection. (AP)

Market Movements

09-07-2020

	Change	Closing pts		Change	Closing pts
↑ AUSTRALIA - All Ordinaries	+40.63	6,074.94	PHILIPPINES - PSEI	-92.92	6,192.58
JAPAN - Nikkei	+90.64	22,529.29			
↑ HONG KONG - Hang Seng	+80.98	26,210.16			
S. KOREA - KRX 100	+24.45	4,667.08			
INDIA - Sensex	+408.68	36,737.69			
PAKISTAN - KSE 100	+447.28	36,142.17			
CHINA - Shanghai SE	+47.15	3,450.59			

Business

Turmoil deepening resentment of the political elite and the banking system

Hottest commodity in Lebanon's economic chaos: The US dollar

BEIRUT, July 9, (AP) — The lines snaked around the block. Then they swelled to fill the whole street, before they turned into a raucous mob of men shoving to the front of the line. There at the exchange bureau, the hottest commodity in Lebanon.

The small Mediterranean country's financial meltdown has thrown Lebanese into a frantic search for dollars as their local currency's value evaporates. To get the precious hard currency, they must navigate labyrinthine regulations, exploiting any loopholes they can to rescue their earnings.

Every transaction, from doctor fees to store purchases to rent, is negotiated day by day, juggling the tumbling Lebanese pound and multiple, changing dollar exchange rates. Those who can are snapping up luxury goods or real estate, trying to use their dollars trapped in bank accounts frozen by the cash-strapped authorities.

The turmoil is deepening resentment of the political elite and the once flourishing banking system — and fueling desperation.

"They are going to crash us into a wall," Chris Georgian, a 25-year-old student, said, trying to buy \$600 at an exchange bureau to send for his university fees in Armenia.

Last week, a 61-year-old man apparently distraught over his economic situation shot and killed himself on a Beirut commercial street, one of multiple suicides during the crisis.

Despite survival skills honed by political tension and wars, nothing prepared Lebanese for having to line up to buy money.

During the 15-year civil war and Israel's invasion and occupation of the south and Beirut, there may have been queues for water or bread, but Lebanon was always flush with dollars.

Since 1997, the local currency, the pound, was pegged at around 1,500 to the dollar, and Lebanese used the two interchangeably.

That stability was built on what experts say was essentially a Ponzi scheme that let banks and the elite profit while allowing Lebanese to live beyond their means.

Successive governments borrowed from private banks to finance massive public debt and pay for vital imports like fuel — but also luxury goods — eating into depositors' dollar accounts. Most of those deposits were from Lebanese expats attracted by high interest rates.

It collapsed when remittances and direct foreign investments plunged in recent years.

In the ensuing liquidity crunch, the pound has lost nearly 85% of its value. Tens of thousands have fallen into poverty, wages are worth only a fraction of what they once were, and prices are skyrocketing — stripping Lebanon of its trademark joie de vivre and vibrancy.

Chain retailers have shut down, unable to import or price goods with the fluctuating rates. Some vendors have either closed or only take payment in dollars.

Dollar accounts have been frozen, and those trapped dollars have become "Monopoly money" with no value outside Lebanon, said Dan Azzi, a former banker and analyst. He coined a name for that currency, the "Lollar" or Lebanese dollar.

People began hoarding cash dollars, getting relatives living abroad to transfer dollars, which — unlike frozen local accounts — can be withdrawn from the bank.

Some sell gold for dollars. "We buy gold at the highest price \$39-\$55 and in cash," reads one jeweler's marketing telephone message.

The peg remains in place officially, even as the black market price of a dollar has spiraled to at least five times that. Meanwhile, authorities imposed rationing on exchange bureaus, limiting how many dollars a person can buy and setting a rate higher than the peg but lower than the black market.

That fanned the raucous lines. Some bought dollars only to sell them on the black market. New phone apps cropped up to keep track of multiple rates.

"Isn't all this humiliating?" said Elie,



People line up outside an exchange shop to buy US dollars in Beirut, Lebanon. (Inset): In this file photo, a cellphone shop owner wears gloves as he counts US dollars in Beirut, Lebanon. Lebanon's financial meltdown has thrown its people into a frantic search for dollars as the local currency's value evaporates. Long, raucous lines mass outside exchange bureaus to buy rationed dollars. Many try to rescue their dollars trapped in bank accounts frozen by the government. With tens of thousands thrown into poverty, the turmoil is fueling bitterness at banks and politicians. (AP)

a security guard keeping order at an exchange bureau. "When senior officials were making money, we were getting some of it. Now they aren't anymore, so they deny it to us," he said, declining to give his last name because of his job.

Many scramble for ways to use their trapped "Lollars", fearing they could eventually lose them completely.

Lines formed outside luxury retailer Louis Vuitton because it was selling at a rate half the black market. Others use stuck dollars to settle bank loans, still valued at the official peg. Azzi estimates loans up to \$15 billion have been paid already.

Ghassan Frem, a dentist, paid a friend's loan of over \$30,000 with his "Lollars". She paid him the money in an account abroad. It is a win-win: He uses his "dead" dollars, and the friend settles her loan at a discount.

Meanwhile, Frem bought \$950-worth of new air conditioners on his credit card. The trick is: He pays his credit card bill at the official rate with pounds he bought on the black market for far fewer dollars.

Many use this loophole, buying merchandise or doing renovations whether they need it or not, to rescue trapped dollars.

"Anyone who can get back at the banks is doing some good," Frem said. "We do to them what they have done to us."

On social media, some proposed organizing a peer-to-peer platform to avoid using banks.

Meanwhile, real estate transactions jumped more than 16% in the first quarter of 2020, according to the General Directorate of Land Registry. One of Lebanon's largest real estate companies, Solidere, reported a profit for the first time since 2018.

For his dentist clinic, Frem negotiates purchasing supplies item by item, hour by hour. One Monday afternoon, he ordered a product and by the time it arrived the next day, the dollar price had gone up 20%.

U.S. CONSUMERS CUT BORROWING BY 18.3BN

US housing market heats up

Cruise industry in murky waters

WASHINGTON, July 9, (AP): Home buying is heating up, despite the pandemic. Seasonally adjusted purchase applications rose 5%, to the highest level in nearly a month, according to data from the Mortgage Bankers Association's Weekly Mortgage Applications Survey for the week ending July 3. The figure is up 33% from the same week a year earlier.

Joel Kan, MBA's associate vice president of economic and industry forecasting, said that the average purchase loan size increased to \$365,700, as borrowers deal with limited supply and higher home prices.

Meanwhile, U.S. consumers reduced their borrowing for a third straight month in May as the millions of jobs lost because of the coronavirus pandemic made households less eager to take on new debt. The Federal Reserve reported Wednesday that consumer borrowing declined by \$18.3 billion in May, a drop of 5.3%. Borrowing had fallen 4.5% in March and then plunged 20.1% in April. That was the biggest one-month decline

in percentage terms since the end of World War II.

Borrowing by consumers in the category that covers credit card debt fell \$24.3 billion in May following April's record \$58.2 billion decline. Borrowing in the category that covers auto loans and student debt rose \$6 billion, reversing part of a \$12 billion decline in April.

Consumer borrowing is closely watched because of clues it can provide about the willingness of households to take on more debt to support consumer spending, which accounts for 70% of U.S. economic activity.

Economists believe that the widespread shutdowns triggered by efforts to contain the coronavirus pushed the economy into a deep downturn, with the gross domestic product expected to post a record-breaking decline of 30% in the April-June quarter.

The Trump administration is forecasting a sharp rebound in the July-September quarter but private economists are worried that the resurgence of coronavirus cases in recent weeks in many areas may put the recovery at risk.

It marked the first time in a decade that overall consumer borrowing has fallen for three straight months. The declines left total borrowing at a seasonally adjusted \$4.11 trillion in May.

Nancy Vanden Houten, senior economist at Oxford Economics, said that while consumer spending did show a big

gain in May, consumers financed the increased spending with their savings and not through higher borrowing.

She said that she expected credit card borrowing would decline this year "due to restrained consumer outlays and tighter credit card lending standards." But she said that the category that covers auto and student loans would likely show modest growth.

The Fed's monthly credit report does not include home mortgages or any other type of loans secured by real estate such as home equity loans.

Travel: Choice Hotels is confident that its business will benefit from its emphasis on leisure travel amid the travel industry's recovery from the pandemic. The company, whose brands include Comfort, Quality Inn and EconoLodge, said in an investor presentation that leisure travel makes up about 3/4 of its room nights and it has limited exposure to convention and group business.

While essential workers, government, trucking, logistics and construction business travelers have continued to stay at its brands during the outbreak, Choice anticipates being able to capitalize on pent-up leisure demand, citing its more than 2,000 domestic properties located near beaches and national parks. The company said that 90% of its properties are in "drive-to" locations, with more than 4,000 of its domestic hotels within one mile of a highway exit.

● Indonesia expects to resume foreign arrivals to Bali in September.

Bali Governor Wayan Koster said that the tourist island will be reopened for the first time on Thursday for local people and foreign tourists who have been stranded on the idyllic Southeast Asian island due to pandemic.

Koster said the island will reopen for domestic tourists at the end of the month, with "strict health guidelines" in place.

● Web traffic for major cruise lines does not appear to be improving. JP Morgan Securities analyst Brandt Montour said in a client note that data from SimilarWeb shows total volume — which includes desktop and mobile visits — for Carnival, Royal Caribbean and Norwegian Cruise Lines tracking down 74% year over year, which is near the lows to date.

Montour said the decline is not surprising, given the cruise operators have mostly stopped marketing efforts, but it does contrast with recent operator commentary that bookings are getting less bad. The analyst said this indicates that new bookings are mostly coming through travel agents. "We plan to watch web traffic closely from here as a potential leading indicator of new-to-cruise travelers re-engaging with the industry/product," Montour wrote.

● Dining out: UK Treasury chief Rishi Sunak wants people in Britain to go out for dinner — so much so that he's willing to pick up part of the tab.

In delivering an economic update amid the COVID-19 pandemic, Sunak has offered Wednesday what he described as the "Eat Out to Help Out," discount for August. Meals at participating restaurants will be 50% off, up to a maximum discount of 10 pounds (\$12.50) per person.

The idea is to protect the jobs of some 1.8 million people who work in restaurants, cafes and pubs.

● Shake Shack's recovery has stalled as it waits for traffic to pick up at its New York City restaurants. The burger chain said its same-store sales fell 64% in April compared to the prior year. That improved to a 42% decline in May, but stayed at that same level in June. The week of July 1, same-store sales in New York were down 58%. Shake Shack said its second-quarter sales fell 49% to \$91.8 million.



This file photo shows Visa credit cards in New Orleans. US consumers reduced their borrowing for a third straight month in May 2020 as the millions of jobs lost because of the coronavirus pandemic made households less eager to take on new debt. (AP)

Candidacies come ahead of deadline

Saudi, Briton join race for top WTO post

GENEVA, July 9, (AP) — Britain and Saudi Arabia put forward late entries Wednesday for the contest to become the next director-general of the World Trade Organization, joining six others hoping to lead the Geneva-based trade body that has faced scorn and pressure from the Trump administration.

The candidacies came in just before the deadline in the race to succeed the current WTO chief, Brazil's Roberto Azevedo. He made a surprise announcement in May that he would leave the job a year early, citing a "personal decision."

Saudi Arabia nominated former economy minister and longtime banker Mohammad Maziad Al-Tuwaijri, while Britain announced the candidacy of former International Trade Secretary and Brexit proponent Liam Fox.

The other candidates for the job are: Jesús Seade Kuri of Mexico, who helped negotiate a new trade deal between the United States, Canada and Mexico; Ngozi Okonjo-Iweala, who has been Nigeria's finance minister and spent 25 years at the World Bank; Abdel-Hamid Mamdouh of Egypt, a longtime trade negotiator; Tudor Uliianovschi, a former foreign minister for Moldova; Yoo Myung-hee of South Korea, a minister for trade; and Amina Mohamed, a former foreign affairs and trade minister for Kenya.

The time frame for the election has not been decided yet. The WTO chief is chosen by consensus by its 164 member states, based on a recommendation from its selection committee. Azevedo has said he'll leave on Aug. 31.

The WTO, which was created in 1995 out of the former General Agreement on Tariffs and Trade, has never had a woman director-general or national from Africa as its leader.