





# WORLD NEWS

## Firms Eye Brexit, Delay U.K. Investment

Companies are waiting to invest despite healthy profits and low unemployment rate

By WIKTOR SZARY  
AND ERIC SYLVERS

LONDON—As the clock ticks toward Britain's exit from the European Union, evidence is mounting that companies are postponing investment plans in the U.K.

After investment fell last year for the first time since 2009, according to government figures, a series of national surveys is finding that Brexit is weighing on business leaders' decision making.

Britain has been gripped by political turmoil, as an electoral setback for Prime Minister Theresa May in June added further uncertainty about Britain's path out of the bloc as negotiations began over the terms of Britain's departure. Ministers have suggested the U.K. will seek a transition agreement to give businesses time to adapt, but have sent mixed signals on the shape of such a deal—keeping companies on edge.

Chancellor of the Exchequer Philip Hammond says uncertainty is giving companies pause. "It is absolutely clear businesses—where they have discretion over investment, where they can hold off—are doing so," he told the British Broadcasting Corp. in July.

"They are waiting for more clarity about what the future relationship with Europe will look like," he said.

Backers say it is too soon to gauge the impact of Britain's impending departure on business investment.

### Fear of Commitment

Despite robust profits, U.K. companies are stockpiling cash abroad instead of investing at home.

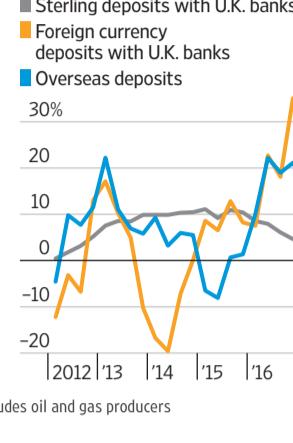
#### Net rate of return on capital for private nonfinancial corporations\*



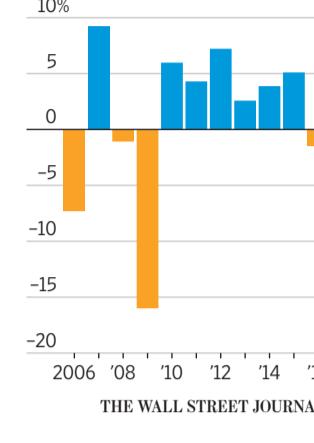
Source: Office for National Statistics

\*Excludes oil and gas producers

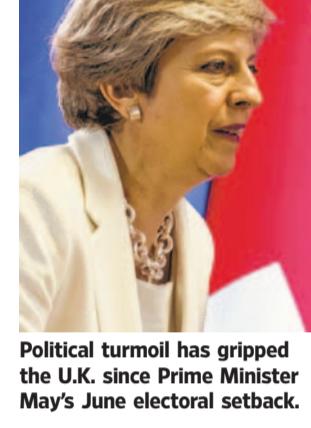
#### Annual growth in private nonfinancial corporations' deposits



#### Annual growth in business investment



THE WALL STREET JOURNAL



GEERT VANDEN/WIJNAGEL/ASSOCIATED PRESS

Political turmoil has gripped the U.K. since Prime Minister May's June electoral setback.

of those, practically all said the impact had been negative.

"The prospect of multiple cliff edges—in tariffs, red tape and regulation—is already casting a long shadow over business decisions," Carolyn Fairbairn, the CBI's director general said in early July.

"The result is a drip, drip

of investment decisions deferred or lost."

Companies aren't clamoring to announce shelved investments or to suggest business isn't going well.

But a large European engineering and electronics business recently shelved plans to build an innovation center in the U.K., Ms. Fairbairn said, without naming the company.

Another survey by Deloitte LLP, covering the second quarter of this year, also showed that business leaders' moods have soured. A third of chief financial officers surveyed said they expected their capital expenditure to decline over the next three years. Brexit risks were CFOs' top fear.

The British car industry, which exported 80% of the 1.7 million vehicles produced last year, has pulled back considerably, with investment in the first half of the year reaching only £322 million (\$419 mil-

lion), according to industry lobby Society of Motor Manufacturers and Traders.

If that pace continues for the rest of the year, investment will be down 60% compared with 2016, itself down a third from 2015.

Big industry players, including Ford Motor Co., are looking for clarity on Britain's post-Brexit trading arrangements before they press on with their investment plans.

"We have significant investment decisions to make during the Brexit negotiating period," said Andrew McCall, Ford of Europe's vice president for governmental affairs. "We are following the negotiations closely."

Paolo Pozzi, CEO of Agrati Group, an Italian maker of fasteners for the car industry

that supplies manufacturers in the U.K. including Volkswagen and Peugeot, said U.K. orders dropped 10% in the second quarter after years of double-digit growth.

"There are different things going on, including a correction after a period of strong growth, but Brexit certainly isn't helping," Mr. Pozzi said.

Business reluctance to invest ahead of Britain's expected exit from the bloc in March 2019 is beginning to feed into official economic figures.

Business investment grew only moderately in the first three months of the year, expanding by 0.6% on the quarter, only partly offsetting the steeper fourth-quarter decline of 0.9%, data published by the Office for National Statistics showed. Preliminary second-quarter data will be published in late August.

In the whole of 2016—the year of the Brexit referendum

and significant political upheaval—business investment shrank compared with the previous year for the first time since 2009.

That's unusual given U.K. companies' healthy profits and an unemployment rate of 4.5%, at its lowest in more than 40 years. Low unemployment normally encourages businesses to invest heavily in labor-saving capital projects.

Business investment should be "racing ahead" right now, said Samuel Tombs, chief U.K. economist at Pantheon Macroeconomics in London. Brexit uncertainty is likely the reason it isn't, he said.

Mr. Lilico said the official figures don't add up to material evidence of a Brexit-induced slowdown.

"There are lots of anecdotes about investment slowing down because of Brexit, but in aggregate, I don't think the figures particularly bear that out," he said.

However, some drop off in business investment specifically because of Brexit is likely to materialize later this year and last until as late as 2020, he said.

"I don't think anyone can expect that the event on the scale of leaving the European Union can be without some transitional costs," he said. "I think that the losses from leaving will come first, and the opportunities, such as new trade deals with the U.S., Japan or changes to the U.K. regulatory environment, are a little down the line."

However, further hints that British companies are already holding back on investment comes from ONS data showing that they are stockpiling cash—much of it outside the U.K.

## U.S. Cautions Russia on Expulsions

BY BEN OTTO

have to find some way to deal with that," Mr. Tillerson said.

Mr. Tillerson and Foreign Minister Sergei Lavrov got together Sunday for an hour in a much-anticipated meeting on the sidelines of the conference following a spell of increasing acrimony over sanctions against Russia adopted by the U.S. Congress and reluctantly signed into law by President Donald Trump.

The Russian Foreign Ministry said the meeting began with Mr. Lavrov explaining the reasoning behind Russia's decision to expel U.S. diplomats. The decision came "after a long wait for the U.S. not to go down the path of confrontation. But, unfortunately, Russophobic members of Congress prevented that from happening," the ministry said.

He told Russia, "We simply

range of global issues, including cybersecurity, North Korea, Syria and Ukraine, the ministry said.

The sanctions were intended to punish Russia after the U.S. intelligence community concluded that Moscow had sought to interfere in the election, which Mr. Trump won. Russian President Vladimir Putin responded by saying the U.S. would have to cut 755 diplomats and staff in the country by September.

Mr. Tillerson said Monday that he asked Mr. Lavrov several clarifying questions about that move, and promised a U.S. response by Sept. 1.

Mr. Trump, who has said that relations between the powers are at "an all-time low," has publicly questioned the intelligence findings on the elec-

tion and dismissed investigations by Congress and a Justice Department special prosecutor into the matter. Russia has denied meddling in the election.

Mr. Tillerson said Mr. Lavrov indicated "some willingness" to resolve tensions over Ukraine. The countries have been in conflict since 2014, when Moscow annexed the Black Sea peninsula of Crimea and Russian-backed separatists started a war in the eastern part of the country.

After the territory grab, the U.S. and the European Union imposed sanctions on Moscow, which Russia has tried unsuccessfully to have lifted. Mr. Trump, who has spoken favorably of the Russian leader, has called for the two countries to make peace.

Mr. Tillerson said the admin-



JACQUELINE MARTIN/ASSOCIATED PRESS  
Rex Tillerson said he told his Russian counterpart he wanted Moscow to 'understand just how serious this incident had been.'

istration viewed the relationship with Russia with pragmatism.

"We want to work with them on areas that are of serious national security interest to us while at the same time having this extraordinary issue

of mistrust that divides us," Mr. Tillerson said. "That's just what we in the diplomatic part of our relationship are required to do."

—James Marson in Moscow contributed to this article.

The advertisement features a Breitling Avenger Hurricane chronograph watch with a black dial, silver-toned case, and a dark strap. The dial is highly detailed with multiple sub-dials and a 24-hour military-style display. The background is dark with the words 'AVIENGER HURRICANE' prominently displayed in large, stylized letters.

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# LIFE & ARTS

WEEKEND CONFIDENTIAL | Alexandra Wolfe

## TaskRabbit CEO on Expansion

The head of the chore-service company talks about the company's growth and increasing diversity in tech

**TASKRABBIT** chief executive Stacy Brown-Philpot still remembers running home one day to escape a group of grade-school bullies, only to have her grandmother lock her out of the house. "She said, 'You're going to have to get through this yourself,'" Ms. Brown-Philpot says. "And I had to stand up for myself and fight."

Ms. Brown-Philpot, now 41, lost that fight with a punch in the face, but she learned a valuable lesson. "You have to learn to get through it yourself, because there are going to be times in your life when there's going to be no one else around but you," she says.

Ms. Brown-Philpot credits the lessons of her childhood, growing up in a tough neighborhood in Detroit, with helping her to succeed. In the past six months, she has expanded TaskRabbit, an on-demand chore service, to 21 new locations, bringing its presence to a total of 39 U.S. cities (plus London). This spring, she confirmed reports that the company is exploring a potential sale after receiving unsolicited interest from a buyer.

Through the TaskRabbit app, users can choose a task they want done, such as assembling furniture, moving, delivering packages or cleaning. Users then get a list of local "taskers," people who are willing to do the job and have been vetted by the company, along with their hourly rate. The company takes a 30% cut of each completed task.

In the next few months, Ms. Brown-Philpot says, the company will launch a series of new partnerships, adding to its recent collaborations with IKEA and Amazon. Since it was founded in 2008, the company has raised about \$38 million. Documents related to a 2015 financing round put the company's value at around \$50 million. A company spokesman says that the firm is "very close to overall profitability."

Outside of TaskRabbit, Ms. Brown-Philpot joined the board of the department-store retailer Nordstrom in May and has been on the board of Hewlett-Packard since 2015.

She grew up the child of a single mother who was an insurance-claims adjuster. After graduating from the Wharton School of the University of Pennsylvania, she earned her M.B.A. from the Stanford Graduate School of Business and then eventually found a job in sales at Google.

In 2009, she moved from the San Francisco Bay Area to Hyderabad, India, to become senior director of Google's online and sales operations in the country. It was a difficult decision. She and her husband had been thinking about starting a family when she got the offer. At first, she turned it down, but then her husband, who also works in technology, convinced her to take the job.

A year later, she returned to the Bay Area and soon had her first child. (She and her husband now have two daughters, ages 6 and 2.)



**Stacy Brown-Philpot**  
plans to launch a  
series of new  
partnerships in the  
next few months

She ran Google's global consumer operations before becoming an entrepreneur in residence there. She joined TaskRabbit as its chief operations officer in 2013 and became CEO in 2016.

Today, in an industry notoriously lacking in women and minorities, Ms. Brown-Philpot is one of the few black women running a sizable technology company. She is working to increase diversity at her own firm. TaskRabbit works with Code2040, a nonprofit aimed at providing minorities with training, experience and internships at tech companies. She also expects

recruiters to present her with a diverse list of candidates, especially for senior roles. Her goal is to raise the percentage of African-American employees at her company from its current 12% to 13% by the end of the year.

"The big problem is that a lot of Americans, whether they are underrepresented minorities or from rural areas, do not know about career opportunities in the tech industry because they may not have had role models who are part of this field or learned about STEM in school," she says. "One goal for Silicon Valley must be to redouble

our collective efforts to make sure people of all backgrounds are aware of opportunities in tech."

When she's not at TaskRabbit, Ms. Brown-Philpot spends time with her family and enjoys exercising. Last month, she ran a half-marathon in San Francisco. She was so anxious that she could barely sleep the night before. "I've not always had as much confidence as I have now," she says, but "there are days...even now, where I'm not sure [of myself]."

Ms. Brown-Philpot is looking to artificial intelligence to expand her company's range. She thinks that

people will someday be able to talk to their devices to set up tasks. And appliances such as refrigerators could automatically signal to a tasker that, say, a filter needs changing.

Employees must act as a tasker every few months. That includes Ms. Brown-Philpot, though she's kept her company title hidden.

One user hired her to help clean his apartment before he moved out, and asked her, "Why do you task?"

"She said, 'Because I love making people happy. And because I just want you to get your security deposit back.'

### PLAYLIST: DIANE ACKERMAN

## THE TROUBLES WE BRIDGED

Diane Ackerman is a poet, essayist and naturalist. She is the author of *"A Natural History of the Senses,"* *"The Human Age"* and *"The Zookeeper's Wife"* (W.W. Norton). She spoke with Marc Myers.

When I went off to Boston University in the late 1960s, I was a bio-psychology major. Within months, I decided to transfer to Penn State. But when I received their acceptance letter, there was a mistake: I was listed as an English major.

Growing up, I had always loved to write and had felt that I was a poet at heart. When I saw the letter's error, it was all the confirmation I needed to switch to English at Penn State and become a writer.

Thumbing through Penn State's course catalog, I noticed



that Prof. Paul West was teaching an interesting class in British fiction. In his class, I was intrigued by the nature of his mind.

Falling in love with a college professor happens more often than you think. But I was no longer Paul's student when I bumped

into him on campus the following year. We went back to his house for drinks, and we stayed up all night talking.

Paul was 18 years my senior, but that didn't matter. We were meant to be. We dated and soon married.

One day in early 1970, Paul and I were in my green VW Beetle when we heard Simon & Garfunkel's **"BRIDGE OVER TROUBLED WATER"** on the radio for

the first time. The gospel piano introduction was enthralling yet calming.

As Art Garfunkel sang and the song began to build, I squeezed Paul's hand. The most meaningful lyric came early in the song: "I'm on your side, when times get rough / And friends just can't be found / Like a bridge over troubled water / I will lay me down."

Paul was a heavy drinker with a troubled past. We did a lot to heal each other. Paul and I were together for 40 years, until his death in 2015.

Today, I still feel Paul in "Bridge." The song also reminds me of the years following his stroke in 2004 when I nursed him and helped him relearn language.

Those were medically difficult years but also happy ones in many unexpected ways. During that time, Paul and I often listened to "Bridge." The song was always restorative and emblematic of our deep love.



Art Garfunkel, left, and Paul Simon, in 1966



















## FINANCE & MARKETS

## FINANCE WATCH

# Italy Corporate Bonds Show Health

By TASOS VOSOS

Despite political risk and economic stagnation, Italy is now the place to be for European corporate-bond investors.

**CREDIT MARKETS** The reason: Italian companies are consistently beating analyst expectations this earnings season.

Italian firms have delivered the second-highest number of positive earnings surprises in the eurozone during the current reporting period, behind only the Netherlands on a net basis, according to data from UBS.

Better earnings mean better credit fundamentals. And the

ability to repay debt will become even more important for corporate fixed-income investors as the European Central Bank looks poised to exit its vast bond-buying program.

"We are very constructive on Italian corporates due to fundamentals, especially utilities," said Thomas Neuhold, credit portfolio manager at the Austrian asset-management firm Gutmann.

Italian corporate bonds, both investment-grade and speculative-grade, included in the iBoxx indexes amount to more than €150 billion (\$176.6 billion).

Solid capital figures from the country's banks and good corporate earnings are helping

push asset-swap spreads on Italian corporate bonds lower. Mr. Neuhold said. Those spreads stand at their tightest level since the financial crisis, based on Bloomberg Barclays indexes.

The stock market has also taken notice, putting the FTSE MIB index up nearly 15% this year through Monday afternoon in Milan. And improving fundamentals are bound to lead to upgrades.

Take **Telecom Italia**, for example, the largest issuer in the iShares euro high-yield exchange-traded fund.

The telecom's revenue and operating earnings look set to grow so much this year that they will put it "comfortably

in investment grade-like territory," according to Commerzbank credit analyst Patrick Kohlmann.

Elsewhere, **Ferrari**'s net income jumped almost 40% year over year in the second quarter, the utility Italgas boosted operating profits by 22% and reduced its debt leverage, and insurer Generali posted better-than-expected first-half net income, driven by strong performances in all its businesses.

Meanwhile, Italy's banking sector, long dogged by nonperforming loans, also is looking up. Shares of UniCredit, the country's largest bank by assets, jumped close to 8% last week as results beat analysts'

expectations.

And Intesa Sanpaolo, which bought the good parts of the troubled lenders Banca Popolare di Vicenza and Veneto Banca, beat net profit estimates and boosted its core capital ratio.

But Italian companies aren't out of the woods yet. An eventual move by the ECB to slow its bond purchases could have a big negative impact, as Italy is the third most-tapped market in the central bank's corporate-sector purchase program, based on UniCredit analysts' calculations. And Italian general elections, due to be held by May 2018, could add political risk to bond raters' calculations.

# U.S. Shares Keep Rising; Nikkei Advances

By RIVA GOLD

The Nasdaq Composite Index rallied Monday, lifted by gains in health-care companies, while the Dow Jones Industrial Average edged higher after it ended last week at a record.

**MONDAY'S MARKETS** In Asia, Japan's Nikkei Stock Average rose 0.5% to 20055.89, lifted by gains in car makers and the dollar.

Australia's S&P/ASX 200 rose 0.9%, with mining stocks adding to recent gains amid an advance in Chinese iron-ore futures.

In Hong Kong, shares of Tencent Holdings jumped 3% to record highs, helping push the Hang Seng Index up 0.5% to 27690.36, its highest close since May 2015.

The Shanghai Composite also gained 0.5%.

In the U.S., quarterly earnings and other company news drove some of Monday's biggest moves in individual stocks.

The Dow Jones Industrial Average was up 21 points, or 0.1%, to 22114 around midday



A Tencent exhibition last year. Tencent shares jumped 3% to a record, helping the Hang Seng gain.

after Friday's solid jobs report sent it to its eighth straight record close. The S&P 500 rose less than 0.1%, as declines in energy shares chipped away at gains by consumer companies

The Nasdaq was up 0.4% as health-care stocks climbed. Shares of NxStage Medical jumped 28% after Fresenius's minority-owned kidney dialysis business said it would acquire NxStage for around \$2 billion. Shares of Fresenius were down 1.9% in Frankfurt.

Tyson Foods added roughly 5% after the company said rising exports helped lift its top line in the latest quarter. Hormel Foods rose 1.4% and Kroger added 1.5%.

Netflix shares were up 0.4% after the company said it was buying comic-book producer Millarworld in its first acquisition.

BrightHouse Financial, MetLife's spun-off insurance operation, was down around 5% in its first day of trading.

Overall, U.S. shares have enjoyed a bump in recent weeks

as second-quarter earnings in the U.S. have largely beaten expectations so far.

Blue Apron Holdings and Snapchat-parent Snap—companies that were widely watched during their initial public offerings earlier this year—are scheduled to report earnings Thursday. Major retailers including Macy's, Nordstrom, Kohl's and J.C. Penney are also due to release their quarterly reports later this week.

European markets were

subdued, with the Stoxx Europe 600 index slipping 0.1%, led lower by German shares. Data Monday showed a surprising decline in German factory output in June, although the eurozone's largest economy remained on a path of solid growth. Germany's DAX fell 0.3%.

The euro strengthened 0.1% against the dollar to \$1.1784, adding to pressure on euro-zone companies that repatriate earnings from overseas. The WSJ Dollar Index, which measures the U.S. currency against 16 others, rose less than 0.1% following its best day in a month on Friday, when the U.S. jobs report offered a fresh sign of strength in the labor market.

"For those of us who've been a little cautious on the economic outlook, this is certainly a data point in the opposite direction," said Ed Keon, portfolio manager at QMA. "I think this probably makes an increase in rates by the Fed in September or December more likely, and quite likely they'll go ahead with plans to slowly reduce their balance sheet."

UNITED ARAB EMIRATES

## Nation Will Divide A Key Oil Concession

The United Arab Emirates' state energy company said it would split one of its most important offshore oil concessions and is in advanced talks with more than a dozen potential partners to improve returns.

The current concession, dating back to 1953 and producing about 700,000 barrels a day, expires in March. Its current shareholders are BP PLC, Total SA, and Japan Oil Development Co.

Abu Dhabi National Oil Co., or Adnoc, will split the ADMA-OPCO concession into two, or more, concessions with new terms, it said in an emailed statement on Monday.

Potential partners for development of the concession comprise a mix of existing concession holders in Adnoc's offshore oilfields and new participants.

The Abu Dhabi government will continue to hold a 60% stake in the new concession areas.

—Summer Said

MACY GRAY

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Get complimentary access to The Podium Lounge, a glamorous celebration of the annual Grand Prix Season Singapore. Join Asia's jet-setting party elite, celebrities and the racing community for a weekend of high-octane entertainment, featuring Grammy Award-winning artists Macy Gray, Coolio, Pixie Geldof and former Ferrari F1 driver, Giancarlo Fisichella.

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