Hungary's anti-immigrant PM faces workforce shortage

BUDAPEST: A population slump in Hungary is presenting Prime Minister Viktor Orban's anti-immigration government with a headache: How to plug labor supply shortages without turning to foreigners. Hungary, an EU member since 2004, has seen 400,000 people leave the country since 2008, and 850,000 over the past 35 years. In addition, since the 1980s, the ex-communist central European country has had one of the lowest birth rates in Europe, bringing the overall population below the 10-million mark.

As a result, at least a quarter of Hungarian firms are experiencing problems finding workers, said the Confederation of Hungarian Employers and Industrialists (MGYOSZ) in a recent study. "The Hungarian economic train can't get out of the station because there are no wheels," said the report. Call centre employee Mark Stern and his teacher wife Rita, about to move to Ireland with their toddler Marci, are among the latest to join the exodus.

"We have friends in Ireland, we speak English and there are lots of opportunities for people there who want to work," Rita, 32 said in Gyomro, a town outside Budapest, as she made her farewells. The conservative Orban, in power since 2010 and a father of five himself, has attempted to redress the dire situation with a raft of measures aimed at getting Hungarians to have more babies or return from abroad. Since June, Hungarians returning have been able to benefit from a welcome-back present of 3,000 euros ($3,330) as well as help finding work and accommodation.

Only 105 people have taken up the offer since June 2015, however. Couples planning to have three children in the next decade, or those with three kids already, can get 10 million forints (35,700 euros, $35,480) towards buying a property, and a low-interest loan of the same amount. More than 12,500 people have signed up for this scheme in the past year, contributing to a rise in real state prices of between 10 and 30 percent, according to economists.

BUDAPEST: A mother pushes a baby carriage in Budapest. — AFP

There is more the government can do, said Balazs Kapitany, head of the national demographics office, not least when it comes to red tape for re-entering the education and health systems. But longer term, he says, it will be difficult for Hungary's population to grow. "The children from Hungary's 1970-75 baby boom will soon be too old to have children, and the succeeding generations are not very numerous," he said.

Immigration the answer?

The answer, and one turned to by other European countries facing similar, if less acute, challenges may be immigration, Mihaly Varga, Hungary's economy minister, said last week. But, in spite of employer woes, importing workers would be a difficult measure to swallow for a government that has put up billboards telling foreigners not to take Hungarians' jobs.The premier has often argued that immigration cannot compensate for labour shortages, and has been anything but welcoming to foreigners, particularly Muslims, in the last year.

The influx of mostly Muslim refugees and migrants into the EU over the last 12 months poses a security threat and threatens the continent's Christian identity, Orban has said.

Around 400,000 migrants and refugees passed through Hungary in 2015 before the government sealed off the southern borders with razor wire and fences. An EU plan for member countries to take in migrants according to a mandatory quota meanwhile has also been furiously slammed by Budapest which will put the issue to a referendum in October.

The need to reconcile Orban's anti-foreigner stance with Hungary's growing demand for new sources of manpower looks though to have already caused a shift in approach. According to Varga, the ministry is mulling a plan by MGYOSZ that proposes allowing non-EU citizens to live and work in the country.

The scheme could copy countries like Poland, the body said, where around one million people from neighboring Ukraine are employed. Labor shortages in sectors like tourism and construction could be filled by "skilled, culturally integrable guest workers," according to MGYOSZ. — AFP

ATHENS: A man walks next to train tracks during a 24-hour strike of the Greek railway company, TRAINOSE, against the government's privatization plan in Athens. — AFP

One year after bailout, Greece struggles for brighter future

ATHENS: A year after it fought and lost a tug-of-war with its creditors, Greece remains a country that seems adrift, and many of its citizens view the present as joyless and the future as grim. Summer 2015 saw Greece's youthful left-wing Prime Minister Alexis Tsipras wage an extraordinary battle between the mighty European Union, the European Central Bank and the International Monetary Fund (IMF).

Over five months, Tsipras and his firebrand finance minister, Yanis Varoufakis, took Greece and Europe to the brink as they demanded the creditors ease reforms imposed under two previous bailouts agreed since 2010. As the EU, ECB and IMF took a hard line, Greece's financial flows shrank and a bank crisis loomed-but Tsipras, instead of buckling, stunned the world by announcing a referendum on the new deal proposed by creditors. On July 5, 62 percent of voters rejected the package.

But even with the mandate of the Greek people behind him, Tsipras backed down: the risk of seeing Greece thrown out of the eurozone was too much. Instead, in a dramatic U-turn, he let go of Varoufakis, replaced him with the more moderate Euclid Tsakalotos-and just over a week later, signed the third bailout. The deal was worth 86 billion euros over three years and laden with conditions, such as tax hikes and pension reforms, considered by critics to be so tough that social media buzzed with talk of a coup d'etat.

Since then, Greece has soldiered on, weathering popular unrest and the consequences of the 2015 migration crisis, while Tsipras strives to defend his leftwing credentials. The EU has already paid out almost 30 billion euros and talks have begun on easing Greece's debt, which amounts to 182 percent of gross domestic product (GDP). "Greece has reached an important milestone," European Commission head Jean-Claude Juncker said last month. Klaus Regling, who heads the EU's rescue fund, the European Stability Mechanism, is less jaunty, complaining that it took nine months instead of the expected three to complete the first review of the bailout. Others critics say the poker game dealt a hefty blow to confidence, especially in the banking system. Tsipras says he remains true to his principles and has responded to the many defections and criticisms from his party, Syriza, sparked by his U-turn. Last month, he described voters' rejection of the austerity measures as "a sublime act against the euro bigwigs promoting austerity but also against the establishment which wanted to stifle the country." For political scientist Georges Sefertzis, "this way of seeming to negotiate very hard while allowing things to drag on could be his biggest mistake yet."

'Deep frustration'

According to the European Commission, Greece's economy is this year set to shrink by 0.3 percent, continuing a slide uninterrupted since 2009 except for 2014. "The government is applying solutions dictated by its ideology," lamented lawmaker Theodore Fortsakis, of the opposition New Democracy (ND) party. Fortsakis takes Tsipras to task for favoring tax hikes over budget cuts to meet the bailout plan's targets for primary budget surpluses (before debt service).

These targets are 0.5 percent of GDP this year, 1.75 percent in 2017 and 3.5 percent in 2018. Fortsakis said he felt "deep frustration towards our European friends who agreed to this phony recovery plan," saying this was perhaps due to their being keen to get rid of the Greek problem before their own elections or, in Britain's case, the Brexit referendum. There are some, including the IMF and Bank of Greece Governor Yannis Stournaras, who reckon the 3.5 percent target in 2018 is unrealistic.

The government has undertaken to cut the pensions and benefits of civil servants if it fails to reach the targets and to proceed with a controversial round of privatizations. These are dangerous moves, says Sefertzias, which could prompt snap elections as the government would quite like pass the buck to the ND, which currently enjoys a lead of 11.5 points over Syriza in opinion polls. — AFP

Merkel, ministers to get wage hike

Germany issues 10-year bond

BERLIN: The German government yesterday approved a pay raise for the cabinet for this and next year, bringing Chancellor Angela Merkel's monthly wages to 18,820 euros ($20,810). Members of the cabinet will enjoy a wage hike of 2.2 percent effective from March 1, 2016, and a second increase of 2.35 percent from February 1, 2017. That would raise the German leader's monthly salary and residence allowance from 17,992 at the moment to 18,820 euros next February.

Merkel would therefore make more than her French counterpart Francois Hollande, who draws an annual wage of 179,000 euros a year or 14,917 euros a month. Yet her salary is dwarfed by those of Germany's best paid executives, who get millions in euros in annual salaries. The cabinet's wage hike this year would also be slightly lower than the 2.4 percent gain agreed under collective bargaining for public sector workers, due to provisions set aside for pensions.

After a decade of enforced wage moderation, German workers have begun receiving more generous pay increases. Unions and employers in Germany's powerful metalworking industry agreed in May a 4.8-percent pay hike that will set the tone for wage negotiations in most other key sectors of Europe's biggest economy.

10-year bond

In another development, Germany issued a 10-year bond at a negative interest for the first time yesterday, as fears about Brexit and economic worries cause investors to rush to the safety of German debt. The German central bank or Bundesbank announced that it sold more than 4.0 billion euros ($4.5 billion) of a new 10-year bond with a yield of minus 0.05 percent. In all, a total 4.783 billion in bids were received for the zero-interest rate bonds. And some 4.038 billion euros were allotted, the Bundesbank said. The 10-year German government bond or "Bund" acts as a benchmark on the debt markets and regarded as one of the safest investments.

BERLIN: German Chancellor Angela Merkel takes part in a weekly meeting of the German Cabinet at the Chancellery in Berlin yesterday. — AFP

It is the first time that investors have accepted negative returns in the first issue of a bond, meaning they will pay for the privilege of owning rock-solid German bonds amid fears about the consequences of the British vote to quit the European union and economic worries. While borrowers traditionally pay interest on the money they are loaned, in the face of heightened political and economic uncertainty, those interest rates have come down to record lows recently as investors flock to safe havens to park their cash.

By accepting negative yields, investors are effectively ditching any hope of a return on their investment in what seems a reasonable price to pay to escape the uncertainties of falling stock markets or volatile commodities and currencies. Interest rates on sovereign debt have been low for some time as central banks snap up government bonds from investors in an effort to boost economic growth through increased liquidity. The European Central Bank has slashed its key interest rates to zero and launched a massive bond-buying program known as quantitative easing (QE) in a bid to get the euro-zone economy back on its feet and push inflation higher.

Germany is just one of three countries in the euro area and six in the European Union to enjoy a top-notch triple-A rating on its sovereign debt. Germany's own finances have benefitted from its safe-haven status in recent years, because with investors favoring German sovereign debt, borrowing rates in Europe's biggest economy have come down. The government has seen its annual interest payments fall from more than 40 billion euros per year in 2008 to 21 billion euros in 2015. The reduced debt servicing costs enabled Germany to balance its budget in 2014 for the first time since 1969 and a year ahead of target. — Agencies

Euro-zone industrial production falls 1.2%

BRUSSELS: Euro-zone industrial production fell back 1.2 percent month on month in May, reversing a revised 1.4 percent rise for April, Eurostat data showed yesterday, raising concerns of sluggish growth. Explaining the fall, the European statistics body cited production of energy falling by 4.3 percent, capital goods by 2.3 percent and durable consumer goods by 1.4 percent. A Capital Economics research note suggested that "industry will probably detract from euro-zone GDP growth in the second quarter.

The 1.2 percent fall was weaker than the consensus forecast of a shallower 0.8 percent (month on month) drop. "The general weakness seen in today's release clearly shows that euro-zone industry is struggling to gain traction," Capital Economics added. It cited the feared impact ahead of the UK's vote to leave the European Union and the effect of higher oil prices which could force the European Central Bank to loosen monetary policy still further.

Industrial production rose 0.5 percent year-on-year in the euro-zone and 1.1 percent in the 28-member bloc as a whole. Across the 28-member Union as a whole industrial production fell 1.1 percent in May after a 1.5 percent increase in April, Eurostat said. "After a solid increase in the first quarter of 2016, the industrial output is set for a clear slowdown in the second quarter, confirming our view that GDP growth will decelerate in spring after a strong performance" at the beginning of the year, said Daniel Vernazza, lead UK economist at UniCredit bank.

"To assess the near-term impact of Brexit on the euro-zone industrial sector we have to wait for the July round of business surveys. Since Brexit is expected to drag down economic activity in the euro-zone mostly via the trade channel, the industrial sector is likely to shift down a gear in the next months," he added.

The largest falls inside the 19-member euro-zone showed Dutch industrial production dropping 7.8 percent in May, by 4.4 percent in Portugal and 4.3 percent in Greece. The Baltic states of Lithuania and Latvia fared better with rises of 3.9 percent and 2.4 percent.

'Zero sanctions' urged

Meanwhile, European Commission economy chief Pierre Moscovici yesterday indicated he wants to see euro-zone deficit miscreants Spain and Portugal escape sanctions. The EU on Tuesday threatened both countries with swingeing fines for failing to fix years of high deficits, although Brussels has previously avoided wielding its disciplinary powers for budgetary overshooting.

"I hope we shall be capable of going towards zero sanctions once Spain and Portugal give us good guarantees" that they are trying to bring spending into line, Moscovici told Europe 1 radio. The European Commission, the EU's executive arm, has 20 days to decide on sanctions after euro-zone finance ministers found Lisbon and Madrid had not taken "effective action" to bring down their deficits.

Both countries, who now must lobby the EU to plead their case, could face fines of up to 0.2 percent of GDP-nearly 2.2 billion euros ($2.4 billion) in Spain's case and 360 million euros for Portugal based on 2015 data under an "excessive deficit procedure."

Both countries have been battling to rein in spending, having been hit hard by the euro-zone debt crisis. The Iberian neighbors have been in the EU's deficit bad books since 2009 owing to recurrent fiscal holes, even though bailed-out Portugal sharply cut its budget deficit from close to 10 percent of GDP in 2010 to 4.4 percent last year. Spain, while avoiding a euro-zone bailout, endured six years of recession and last year reported a deficit of 5.1 percent of gross domestic product (GDP) way off the target of 4.2 percent set for it by the commission and the normal 3.0-percent limit.

Moscovici voiced sympathy for both on an issue also sensitive for France, widely expected to miss a promise to bring its own deficit back under the 3.0 percent limit next year. "I have never been a supporter of austerity. I do not believe the rules were drawn up to punish. I do not think sanctions are the right response," he explained.

Moscovici said he believed the rules were rather "a process to encourage deficit cutting" rather than a "punitive process." On Tuesday, French Finance Minister Michel Sapin said "the rules are the rules," albeit ones which should be applied "intelligently" on a case-by-case basis. But Germany is leading more hawkish members of the bloc in forcing the pace on paring down deficits and ramping up pressure on over-spenders. — Agencies

BoE mulls rate cut

LONDON: The Bank of England is mulling whether to cut interest rates for the first time in over seven years to curb economic fallout from Britain's vote to exit the EU. The BoE today concludes its first interest-rate meeting since Britain voted on June 23 to exit the European Union and subsequent comments by governor Mark Carney that "some monetary policy easing will likely be required over the summer".

Jonathan Loynes, economist at Capital Economics research group, said "given that the biggest near-term threat to the economy is uncertainty and its adverse effects on confidence, an interest rate cut" could help to re-assure households and markets following the referendum result. While markets are pricing in a cut as early as this week, some analysts believe a drop in the BoE's main lending rate from 0.50 percent to a new record-low of 0.25 percent or even zero may not now occur until August. This they say is owing to Theresa May's quick appointment as prime minister having reduced some of the political uncertainty that has gripped Britain since the shock referendum result.

Whether or not a rate cut occurs today or in August, markets expect that by the end of the British summer the BoE will unveil a fresh means of stimulating the economy, as the government heads into tough negotiations on quitting the EU. Analysts suggest there could for example be some more cash stimulus pumped around the British economy to encourage lending by commercial banks. The central bank's quantitative easing (QE) program, launched alongside record-low interest rates during the global financial crisis, has enabled an additional £375 billion ($494 billion, 445 billion euros) to move through the economy. — AFP