

# Business

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## Turks hammered by currency crisis

### Turkish lira hits record low as central bank cuts interest rate

**ISTANBUL:** Turkish pensioner Abdullah Cici and his wife Hatice travelled across Istanbul to hunt for bargains at a popular bazaar. They were disappointed. "We need a lot of things but we cannot buy them. There's salami, sujuk (sausage) over there. I am a human. I also crave for them but I cannot afford," he said.

"Our salaries are now worth peanuts." The price swings at the market offer a snapshot of the toll dealt on consumers by soaring inflation and a currency that has lost almost a third of its value against the dollar this year.

The lira sank to a record low on Thursday, 11.30 against the dollar, after the central bank apparently caved again to pressure from President Recep Tayyip Erdogan to cut interest rates for a third straight month. Analysts blame most of Turkey's problems on unconventional economic policies that focus on economic growth at the price of high inflation and a depreciating currency.

Annual inflation has reached 20 percent, quadruple the government target. The Cicis have had to adapt. "We buy in small amounts, half a kilogram instead of one," said Hatice Cici, holding a small bag of produce worth a total 120 lira (\$10.78, 9.5 euros). One loaf of fresh white bread costs 2.5 lira Friday compared to two lira a month ago. One kilo of minced meat is around 90 lira, up from 70 lira in October. Five kilos of oil have risen from 80 to 100 lira. The net minimum wage is 2,825 lira, while

unemployment is in the double digits. Erdogan has blamed big supermarket chains for uncontrollable price increases.

"Erdogan is running the show," said Fawad Razaqada, analyst at ThinkMarkets. "If he wants lower interest rates he will get lower rates, regardless of how high inflation might be or how the economy is doing," Razaqada said. "It is very difficult to see the light at the end of the tunnel for the Turkish lira unfortunately." Sellers shout "there's no price increase in our shop" at the bustling Eminonu shopping district in Istanbul.

But pensioner Naime has recorded the shifting prices in a notebook that she keeps in her bag. "I calculate everything. I write down prices," she said. "I cannot buy whatever I want. When I go to the market the second day, it's never the same price again," she said. In the past she had money to spend and could go on holiday with her family. "We cannot do any of that now and barely make ends meet."

#### No more picnics

Another retiree, Feriye, said she came to the bazaar to find a cheaper coat for her husband to spend the winter as she could not afford one she saw at a shopping mall. "I earn a pension of 2,600 lira (200 euros). Tell me how come a coat costs 1,600 lira (120 euros)?" she said. "I don't know if I can find an affordable one here." Hafzullah Canbay, a shuttle driver who was fishing on the Galata



ANKARA: Customers stand by the desk at a currency exchange office in Ankara. — AFP

bridge near the bazaar, said policies have made the rich richer and the poor poorer. "If you ask me what's the solution, let me put it clear, I have no expectation from any political party," he said. "If you ask me whether I am hopeful, I am not. I cannot

see the light."

Canbay said he used to picnic every weekend with his children. "It's no longer possible," he said. "We have to live according to our calculations. That's our situation." —AFP



Reliance is abandoning a \$15 billion deal for Saudi Aramco to buy a 20 percent stake in its oil refining and chemicals unit.

### India's Reliance ditches \$15bn Saudi Aramco deal

**MUMBAI:** India's oil-to-telecoms giant Reliance is abandoning a \$15 billion deal for Saudi Aramco to buy a 20 percent stake in its oil refining and chemicals unit, it said, as the firm pivots towards renewable energy. The deal was announced more than two years ago by Reliance chairman Mukesh Ambani, Asia's richest man, and touted as the biggest foreign investment in the conglomerate's history.

But Reliance and other major Indian firms have since poured billions of dollars into green power as the government pushes to reduce its dependence on imported fossil fuels and as the country's cities are assailed by pollution. Saudi Aramco is the world's biggest oil-producing company and vies with Apple for the title of the most valuable firm on the planet.

Ambani in June this year pledged to invest \$10 billion in renewable energy over the next three years.

Reliance said in a late-night statement Friday that due to its "evolving" portfolio of businesses, the two firms had "mutually determined that it would be beneficial for both parties to re-evaluate the proposed investment". It was withdrawing a legal application that would have paved the way for Saudi Aramco to take the stake in its oil-to-chemicals division, it added.

The unit includes Reliance's refining, petrochemicals and fuels marketing businesses, among them the giant Jamnagar refinery in Gujarat. Prime Minister Narendra Modi's political powerbase. Reliance recently announced it would build four "giga factories" at Jamnagar making solar panels, storage batteries, and hydrogen-related products to create one of the largest integrated renewable energy manufacturing facilities in the world.

The Mumbai-headquartered firm's rise was powered by its oil and petrochemicals businesses but in recent years it has diversified into areas ranging from telecoms to retail. —AFP

### Fed should quicken stimulus pullback due to inflation

**WASHINGTON:** The sharp rise in US inflation even as the labor market rapidly improves means the Federal Reserve should remove stimulus from the economy more quickly, a central bank official said Friday. The Fed this month began slowing the pace of bond purchases it started early in the pandemic to provide liquidity to the economy, but has expressed caution over when it will increase interest rates even as consumer prices hit a 30-year high.

Fed board member Christopher Waller said "the rapid improvement in the labor market and the deteriorating inflation data have pushed me towards favoring a faster pace of tapering and a more rapid removal of accommodation in 2022." As the world's largest economy has made a rapid recovery from the deepest downturn on record, prices have soared due to global supply bottlenecks and shortages, as well as labor constraints.

The annual consumer price index in October hit 6.2 percent—its highest level in more than three decades and well beyond the Fed's two percent goal. Prices have "escalated substantially this year," Waller said, and "despite the highest wage gains in years, inflation this year has wiped out any real wage increase for the average worker."

"High inflation is painful to Americans who have little choice about the goods and services they buy



for everyday living," he said in a prepared speech. His comments were the strongest yet from a top central banker, as Fed Chair Jerome Powell has repeatedly said that while inflation is higher than expected, most of the factors driving it are transitory.

But Waller noted that "price pressures are no longer concentrated in a few categories, they appear to have broadened," and it is "very concerning" that consumer surveys show the public is worried the rate will stay above two percent. The central bank slashed the benchmark borrowing rate to zero in March 2020 to help ward off a deeper economic crisis, and has said it will not raise rates until the economy is at maximum employment and inflation is on track to stay at or a bit above two percent.

Waller said the criteria for inflation to hold at or above two percent has been met, and the economy "making great strides towards achieving the employment leg of our mandate." The Fed this month started reducing the pace of its monthly purchases of Treasury securities and mortgage-backed bonds, but has said it could cut back more quickly. —AFP

### Biden hails major boost for giant social welfare expansion

**WASHINGTON:** US lawmakers elevated President Joe Biden's giant social welfare bill to the Senate on Friday, in a major step toward realizing his vision for the more equitable, greener society that he hopes will be his legacy. Build Back Better—an assortment of education, health, childcare and climate reforms—was green-lit by the House of Representatives days after Biden signed into law the first part of his economic blueprint, a sweeping upgrade of the country's crumbling infrastructure.

The \$1.8 trillion measure faces a bumpy, weeks-long ride in the Senate, with the Democrats' deficit hawks wary of freewheeling spending amid spiraling inflation, before it gets a final rubber stamp in the House. Speaker Nancy Pelosi had hoped for a vote late Thursday but Minority Leader Kevin McCarthy commandeered the floor for a record-breaking eight and a half hours in a bid to derail the bill.

Democrats rushed to the well of the House to clap and cheer as Pelosi was finally able to announce it had cleared the lower chamber a day later than expected. The White House released a statement from the president, who was undergoing a medical check-up requiring anesthetic, calling the vote "another giant step forward in carrying out my economic plan to create jobs, reduce costs, make our country more competitive." The legislation would provide millions of jobs, according to the White House, although Republicans have characterized it as an example of wildly out-of-control Democratic spending.

#### Deal-breaker

That warning was echoed by the US Chamber of Commerce, which pointed to rising gas and food prices, supply chain challenges and worker shortages, saying the shopping spree would "only make things worse." The legislation will likely be trimmed further in any case in the upper chamber, where Democrats have the narrowest of majorities and moderates are voicing concerns over Biden's spending plans.

Annual inflation jumped to 6.2 percent last month, giving Republicans another cudgel to bash Biden with as they bid to retake both chambers of Congress in next year's midterm elections. House Democrats, who have been bickering for months over the price tag of Build Back Better, would have lost the party-line vote had there been more than three defectors. In the end only one Democrat—from a competitive district in Maine — joined every Republican in rejecting the bill.

### UK retail sales grow for first time in 6 months

**LONDON:** British retail sales rose in October after five months of zero growth thanks to early Christmas purchases, official data showed Friday. Sales by volume climbed 0.8 percent from September, the Office for National Statistics said in a statement.

"After five months of no growth, retail sales picked up in October," ONS chief economist Grant Fitzner said in a statement.

"Clothing, department stores and toy shop sales reported a boost... with some retailers suggesting



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Republicans seized on an analysis from the independent Congressional Budget Office saying the bill would boost the deficit by \$367 billion over 10 years. But Treasury Secretary Janet Yellen said Friday it was "more than fully paid for," and that tougher tax enforcement would help reduce the deficit as the government compelled large corporations and top earners to "pay their fair share."

#### 'Crapacular mess'

The bill is likely to be taken up by the upper chamber in late December or possibly January, with more urgent priorities such as avoiding a debt default and a government shutdown expected to take up much of the holiday period. Pelosi downplayed the potential for senators making major changes, telling reporters after the vote that 90 percent of the text had been agreed among Democrats in Congress and the White House. "There were some differences at the end, and we'll deal with that as we go forward," she said.

The Senate has been locked in a 50-50 split for one of the longest periods in its history, and, with no votes to spare, every Democrat effectively has a veto on any bill as long as Republicans stick together.

Senate progressives are pushing for a national paid family leave program and a bigger expansion of health care benefits, but the latest inflation data could torpedo those efforts. The United States is the world's only advanced economy that offers no paid time off to new parents. Biden's spokeswoman Jen Psaki said the president "absolutely" wanted to see the provision in the final text. "He also knows and recognizes that you need the majority of members in the Senate—every single Democrat—to support something, to get it across the finish line," she told reporters. Nebraska's Ben Sasse led a chorus of opprobrium from Senate Republicans over the legislation, labeling it a "crapacular mess" that will lead to "a million more annual IRS (tax) audits." —AFP

that early Christmas shopping helped to bolster trade," he added.

UK retail sales volumes had dropped during September as the country suffered supply constraints and high prices. Although sales of petrol surged in late September as drivers rushed to fill up their tanks, a UK fuel-shortage crisis likely meant consumers visited stores only for necessities, analysts said.

The UK is facing delays to the shipping of goods owing to an acute shortage of lorry drivers. UK private sector business activity expanded at the fastest pace in three months in October, a key survey showed. Growth was however accompanied by an unprecedented rise in inflationary pressures due to higher wages and supply chain costs, according to the survey from IHS Markit and the Chartered Institute of Procurement and Supply. —AFP