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Business

Erdogan doubles down on low interest rates despite lira fall

Lira loses over 3% to reach 12.7 to the dollar after Erdogan's statement

ISTANBUL: Turkey's President Recep Tayyip Erdogan vowed "no compromise" on low interest rates in comments published by Turkish media yesterday, despite a currency crisis. The embattled Turkish lira crashed last week and has continued to lose value against the dollar after a series of rate cuts by the central bank in spite of rampant inflation.

Erdogan ordered Saturday the State Supervisory Council, an auditing body under the president's direct authority, to investigate currency manipulation claims. "I have never advocated, do not advocate and will never advocate for increasing interest rates," Erdogan told Turkish journalists on board his plane returning from a trip to Turkmenistan at the weekend.

"Even if others who think differently appear, Tayyip Erdogan has the same position. I will absolutely not compromise on this issue," he said, quoted by NTV broadcaster. Erdogan strongly opposes high interest rates and goes against orthodox economic thinking to claim they cause high inflation.

He railed against the "interest rate lobby" which seeks to push Turkey to adopt higher rates, insisting inflation would fall before elections in 2023. Under heavy pressure from the president who has sacked three governors since July 2019, the central bank has cut the main interest rate every month since September.

The rate is 15 percent, down from 19 percent before the first rate cut on September 23.

But inflation has remained stubbornly in the double digits for the past two years. The annual rate was at nearly 20 percent in October and there are fears the figure will be much higher for November when that month's data is published Friday.

The lira has lost 42 percent in value against the greenback since the start of 2021, crashing to 13 to the dollar last Tuesday. The lira's weakness has persisted, with the currency losing over three percent to reach 12.7 to the dollar at around 1200 GMT yesterday after Erdogan's comments were published. — AFP

ISTANBUL: A currency exchange office seen in Istanbul. —AFP

China's Twitter-like Weibo plans $547m Hong Kong listing

BEIJING: US-listed Chinese microblogging platform Weibo is seeking to raise up to $547 million in a share offer in Hong Kong, documents showed yesterday, the latest China tech company to list closer to home as tensions with the United States rise.

Several US-listed Chinese tech firms such as Alibaba have held initial public offerings in Hong Kong over the past two years as the United States has stepped up scrutiny of Chinese companies. Listing in Hong Kong is seen as a hedge against the risk of being removed from US exchanges and a way of accessing an investor base closer to their home markets.

China also has been encouraging its big tech players to list either in Hong Kong or Shanghai. On Monday, Nasdaq-listed Weibo — China's answer to Twitter — said in a filing that it plans to sell 11 million shares for as much as HK$388 ($49.75) each.

Shares are expected to start trading on December 8. Weibo, which launched in 2009 and is among the earliest social media platforms in China, had 566 million monthly active users as of June, it said in a filing.

Its shares have traded on the Nasdaq since 2014. Weibo is among the most widely-used social media platforms in China, where authorities have blocked major international players such as Facebook. Weibo said it plans to use the funds raised from its Hong Kong listing to grow its user base and for research and development.

But it cautioned that it is "subject to changing laws and regulations regarding regulatory matters, corporate governance and public disclosure" that have increased both its costs and risks of non-compliance. In recent months, Chinese regulators have launched a wide-ranging clampdown on tech companies like Alibaba, Tencent and Meituan — clipping the wings of major internet firms that wield heavy influence over consumers' daily lives. — AFP


Jack Dorsey

Twitter CEO Jack Dorsey to step down

WASHINGTON: Twitter co-founder Jack Dorsey is expected to step down as the social media network's CEO, CNBC reported yesterday. Nasdaq suspended trading of Twitter yesterday amid news reports that Jack Dorsey would step down. Nasdaq cited "news pending" as the reason for the halt in trading.

The CNBC report cites unnamed sources and Twitter did not immediately reply to a request seeking comment. Dorsey is credited with coming up with the idea for Twitter when eventual co-founder Evan Williams gave workers at blogging startup Odeo two weeks to work on fun new projects as a way to break up the daily routine.

According to sources, Dorsey could announce his departure later. The source requested anonymity because the plans, first reported by CNBC, are not yet public. A Twitter spokeswoman did not respond to a request for comment. Dorsey, who is also the chief executive of the payments company Square, was fired from the top job at Twitter in 2008 but returned in 2015.

His leadership has been questioned by employees and investors who believed that he was unfocused and spent too much of his time on Square and other passion projects. Other employees rallied around him during the 2020 attempt to force him out, using the hashtag #WeBackJack as a rallying cry. —Agencies

Spanish inflation soars to 29-yr high

MADRID: Spanish inflation accelerated in November to its highest level in nearly three decades on the back of rising food and gas prices, official data showed yesterday. Consumer prices jumped by 5.6 percent, up from a 5.4 percent increase in October, according to preliminary figures from national statistics institute.

That is its fastest pace since September 1992, when the rate was 5.8 percent. The surge in inflation in the eurozone's fourth-largest economy was due largely to a spike in food prices, followed by higher gas prices, the statistics office said. Electricity costs, however, declined slightly after a month-long acceleration, it added.

As in other European Union nations, inflation in Spain has risen since the start of the year after consumer prices declined during most of 2020 due to the economic impact of pandemic lockdowns.

In October, eurozone inflation reached 4.1 percent, well above the European Central Bank's target of two percent and equal to a high set in July 2008. But the bank believes eurozone inflation will peak in November and is set to gradually slow next year as supply bottlenecks and the energy crunch ease, board member Isabel Schnabel said earlier this month. Investors worry central banks will withdraw their stimulus measures sooner than expected to tame inflation. —AFP


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Should we really worry about inflation figures?

PARIS: Whether it is the heating bill, pump prices or making the weekly run to the supermarket, consumers are having to dig deeper and deeper into family budgets. Inflation is complicating the recovery of individual consumers from the pandemic and putting the recovery of the global economy at risk.

What does the data say?

Inflation figures have been rising for months. In the United States, government data released this week showed consumer prices rose by five percent on an annual basis in October, the highest since 1990. In the eurozone, consumer prices were up 4.1 percent, the highest in 13 years. In Britain, the increase was 4.2 percent.

In all three, inflation is running at more than double the targets set by their central banks. Elsewhere, inflation is also running hot. In Russia it is 8.1 percent, in Brazil it has hit almost 11 percent, and in Turkey it is nearly 20 percent.

Behind these abstract numbers is the concrete reality of the skyrocketing cost of filling up the gas tank, higher prices for meat and other basic foodstuffs. In the United States, many food companies are cutting the size of packages to avoid raising prices, a practice called shrinkflation. Restaurant owners have told AFP they have begun to remove products which have become too expensive from their menus, such as bottled water or crab cakes.

Why are prices rising?

After stalling in 2020, the motor of the global economy is sputtering back to life this year. This rebound, plus shifts in consumption away from services to goods by households, means a boom in demand that has outstripped supply, which in some cases is still being hobbled by the pandemic.

This has pushed up prices of many raw materials, first and foremost crude oil, but copper and wood as well. Certain manufacturing sectors have been hit by a lack of semiconductors or computer chips, in particular the auto and mobile phone industries. Global transport networks have also snarled up. Some ports have become clogged because of a lack of workers to offload cargo while in Britain there is an acute lack of truck drivers. Freight prices have skyrocketed.

Transitory, really ?

The refrain from central bankers about inflation has been unchanging: it is transitory as it is the result of the low point of comparison from last year and is being caused short-term supply problems that will resolve themselves. The argument has begun to wear thin as the months have passed. "It is now clear that this process will take longer than initially expected, and the inflation overshoot will likely get worse before it gets better," said analysts at investment bank Goldman Sachs in a note to clients.

They believe inflation will begin to wind down only in the middle of next year. A sign of the growing concern is that Google searches for the word "inflation" have hit their highest levels in the United States and Europe since tracking began in 2004. This is one of the worries of central bankers: that a sentiment of persistent inflation prompts widespread demands for wage hikes that companies have to pass on as higher prices, thus triggering a vicious spiral of wage and price hikes. In the United States, the situation is complicated by the fact that there is actually a shortage of workers in many sectors, with many companies raising wages to secure staff and passing higher costs onto customers.

Companies are "expected to bid up the price of scarce labor going forward," said Jacob Kirkegaard, a senior fellow at the Peterson Institute for International Economics in Washington.

Why is this a minefield?

Usually, central banks would raise interest rates to tamp down price increases. But given that the global economy is still suffering from the pandemic and there are signs that the recovery underway is already weakening, policymakers are worried about the risk they could kill it off.

Several central banks have nevertheless already raised rates due to inflation pressures, including in Mexico, Brazil and Russia. The head of the US Federal Reserve, Jerome Powell, said earlier this week when he was renominated to the post that we would act to "prevent higher inflation from becoming entrenched." —AFP