

Business

Bank of England holds its stimulus, record-low rate

UK annual inflation would top 4%, BoE warns

LONDON: The Bank of England yesterday maintained its stimulus amount and record-low interest rate, even as it warned that UK annual inflation would top four percent this year. The BoE's nine-strong monetary policy committee (MPC) voted unanimously to hold its key borrowing cost at 0.1 percent, a statement said.

Policymakers voted 7-2 in favor of keeping its so-called quantitative easing stimulus at almost £900 billion (\$1.2 trillion, 1.0 trillion euros). The decision comes as global central banks grapple with when to withdraw ultra-loose monetary policy and massive stimulus as COVID-blighted economies start to recover. Yesterday's news came one day after the Federal Reserve said it would soon begin tapering its own emergency aid.

"Two (MPC) members preferred to stop the current asset purchase program as soon as practical after this meeting rather than continuing it until around the end of the year, as currently planned," the BoE said. "Continuing with asset purchases when CPI inflation was above 3.0 percent and the output gap was closed might cause medium-term inflation expectations to drift up further." Central banks have embarked on huge purchases of commercial bonds, resulting in massive cash amounts swirling around the world economy.

Some analysts argue that this fuels inflation, which is on the rise in any case after the pandemic caused supply shortages. The BoE also warned yesterday that annual inflation was now expected to breach 4.0 percent - more than double its target

level - in the fourth quarter as a result of high energy and goods prices. The annual inflation rate had already spiked in August to a near-decade high of 3.2 percent after the COVID-hit economy reopened.

"Against a backdrop of robust goods demand and continuing supply constraints, global inflationary pressures had remained strong and there were some signs that cost pressures might prove more persistent," read minutes from the gathering. "Oil prices had remained elevated and global shipping costs had continued to rise. Wholesale gas prices had risen substantially across Europe." The bank warned also that "considerable uncertainties remain" over the economic outlook, including from the end next week of the state's furlough jobs support scheme.—AFP

EU to impose universal charger; blow to Apple

BRUSSELS: The European Union yesterday said it will impose a universal charger for smartphones, setting up a clash with Apple and its widely used iPhone connector cable. The European Commission believes a standard cable for all devices will cut back on electronic waste, but Apple says a one-size fits all charger will stop innovation and create more pollution. The EU is a massive market of 450 million people, and the imposition of the USB-C as a cable standard could have a decisive effect on the global smartphone market. "European consumers have been frustrated long enough about incompatible chargers piling up in their drawers," said EU executive vice president Margrethe Vestager in a statement. "We gave industry plenty of time to come up with their own solutions, now time is ripe for legislative action for a common charger," she said. Consumers currently have to decide between three main chargers to power their phones: Lightning ones for Apple handsets, micro-USB ones widely used on most other mobile phones, and USB-C ones that are increasingly being used. That range is greatly simplified from 2009, when dozens of different types of chargers were bundled with mobile phones, creating piles of electronic garbage when users changed brands.

'Inconvenient' and wasteful

The EU said the current situation remained "inconvenient" and that European consumers spent approximately 2.4 billion euros (\$2.8 billion) annually on standalone chargers that do not come with their electronic devices. Apple, which already uses USB-C connectors on some of its iPads and laptop computers, insists legislation to force a universal charger for all mobiles in the European Union is unwarranted. "We remain concerned that strict regulation mandating just one type of connector stifles innovation rather than encouraging it, which in turn will harm consumers in Europe and around the world," Apple said. The European Commission had long defended a voluntary agreement it made with the device industry that was set in place in 2009 and saw a big reduction in cables, but Apple refused to abide by it. In the commission's proposal, which could yet be considerably changed before ratification, smartphone makers will be given a 24-month transition period, giving "ample time" for companies to fall in line, the commission said. Apple said that it believed the two year transition period would be a major worry for the industry as it could prevent the sale of existing equipment.—AFP

European Union tackles 'critical' energy crisis

BRUSSELS: The European Commission said it is poised to validate "short-term temporary measures" to tackle the effects of a global energy crisis - while keeping an eye on long-term climate goals. The European Commission commissioner, Kadri Simson, made the comment after a meeting in Slovenia of EU energy ministers dominated by the issue, which several of them said had grown "critical".

Europe is facing soaring power prices as its economy recovers from the COVID pandemic, and as winter approaches while natural gas reserves are at a worrying low level. A profound EU transformation towards a low-carbon future, phasing out fossil fuels, is adding to the pressure on the bloc's market and on households. A key reason for the high prices is the spot market for natural gas, something European lawmakers accuse Russia of manipulating in an effort to get Germany to activate a new pipeline across the Baltic Sea that bypasses a transit route through Ukraine. The United States long opposed that Nord Stream 2 pipeline, but finally relented under German insistence. US Energy Secretary Jennifer Granholm on Wednesday warned against "manipulation" of gas prices in Europe. "The US has been clear that we and our partners have to be prepared to continue to stand up when there are players who may be manipulating supply in order to benefit themselves," Granholm told an online briefing to journalists during a visit to Poland.

Russia's gas giant Gazprom has reduced its flow of gas through Ukraine, leaving its European storage tanks nearly empty. But the company denies it is holding supplies to ransom to bring Nord Stream 2 online. While Austrian Energy Minister Leonore Gewessler pointed to the "high dependency on Russian gas" as an



NEURATH: Trucks drive near the coal-fired power station Neurath of German energy giant RWE at the open-cast mine of Garzweiler, western Germany.—AFP

underlying problem for supplies as she went into the meeting, others were more circumspect. Simson said the reasons for the steep rise in energy wholesale prices were "mainly global" and consumers in all EU countries were therefore feeling the impact.

EU 'toolbox'

While she said the EU was still striving towards goals for a low-carbon future by transforming its energy, transport and industry sectors - and by reducing reliance on natural gas and other fossil fuels - Brussels recognized immediate remedies were needed. "In the short run, there are several member states who are ready to introduce short-term temporary measures to protect their vulnerable consumers," she said.

Cutting value-added tax and excises on energy would be "in accordance with EU regulations," she said. But she explained that she had also asked the EU energy ministers to draw up, within weeks, "a more structured toolbox" of measures that could include grouped purchase

agreements and increased emphasis on more-affordable renewable energy.

Yesterday, Simson traveled to Poland to join Granholm for an EU-US ministerial-level meeting on energy and climate cooperation. The two were also to set out preparations for the EU-US Energy Council, a high-level body guiding coordination on shared strategic energy issues across the Atlantic. The EU is not the only region struggling with a surge in energy prices. Asia, too, is seeing increases and is taking in more natural gas to feed expanding economies.

The United States, too, has seen prices rise but not nearly as much, being largely shielded because of gas production from its shale fields. In former EU member Britain, wholesale energy prices are outstripping even those in Europe. At least four British consumer energy suppliers have gone bust and others are teetering, unable to raise bills to households because of a mandated price cap. Poor energy production from wind sources and a fire that has knocked out a UK converter station bringing energy from France have compounded the problem.—AFP