

Business

Sri Lanka seeks remittances jumpstart from electric cars

Desperate bid to boost cash-strapped nation's depleted foreign reserves

COLOMBO: Sri Lanka offered its overseas workers the right to buy electric vehicles duty-free on Tuesday to encourage them to send money home and boost the cash-strapped nation's depleted foreign exchange reserves. The island nation banned vehicle imports in March 2020 as the coronavirus pandemic began to hit its finances, culminating in the president's flight and resignation last month. But in an effort to woo the more than two million Sri Lankans employed abroad, they will be exempted from the ban and allowed to bring in electric cars and motorcycles duty-free.

Before the ban, the duties would have ranged from roughly \$5,000 to nearly \$50,000, depending on the model. "We are offering this never-before tax concession to encourage our expatriate community to send foreign exchange home through the legal banking system," foreign employment minister Manusha Nanayakkara told reporters following Monday's cabinet decision.

Overseas workers will only be able to use half their

remitted funds for the purchase, which can have a maximum value of \$65,000, he added, while those who have sent home smaller amounts can buy home appliances duty-free at the airport. But overseas workers will have to remit their earnings through official channels to be able to benefit from the offer—and that will see them converted to Sri Lankan rupees at official rates. Expatriates are known to be using informal means to send money home because of better exchange rates as the country's central bank is accused of keeping the rupee artificially overvalued.

Sri Lanka's overseas remittances, once a key source of foreign exchange for the economy, have fallen by more than 50 percent, from \$3.3 billion in the first half of 2021 to \$1.6 billion in the same period this year. The financial crisis has forced Sri Lanka to default on its \$51 billion foreign debt and open bailout talks with the International Monetary Fund, while essential goods such as fuel and medicines are in acutely short supply. — AFP



COLOMBO: Motorists queue up along a street to buy fuel from Lanka IOC fuel station in Colombo on August 1, 2022. — AFP



TEHRAN: Iranians walk at Valiasr square in the capital Tehran. Iran's President Ebrahim Raisi came to power a year ago, amid attempts to revive a 2015 nuclear deal between Tehran and world powers. — AFP

A year on, Iran's Raisi faces economy in trouble

TEHRAN: A year after Iran's President Ebrahim Raisi took power, his government has curbed the COVID pandemic but faces a sharp downturn of the sanctions-hit economy as nuclear talks remain stalled.

Having pledged to help especially the poor, the ultraconservative cleric now faces runaway consumer prices that have sparked protests. Raisi was elected in June last year in a ballot for which less than half of voters turned up, after his major rivals had been disqualified by electoral bodies.

He was inaugurated on August 3 by the supreme leader, Ali Khamenei, and sworn in two days later as head of government in the Islamic republic. When he formed his cabinet, Raisi named his two top priorities: controlling the region's worst COVID outbreak, and turning around the battered economy.

Iran's vaccination campaign, long hampered by US sanctions, was massively stepped up using Chinese and Russian drugs. For Hamidreza Taraqi, a top official in the Islamic Coalition Party, part of the conservative alliance backing the Raisi, the government has "succeeded in curbing the coronavirus and in eliminating its effects". The UN World Health Organization says more than 58 million Iranians, or some 70 percent of the population, have now been fully vaccinated. "Raisi's government did oversee widespread coronavirus vaccinations after the state reversed course and approved foreign vaccine imports," said Henry Rome of the US-based consultancy Eurasia Group.

But on the economic front, Raisi's record is more mixed as Iran remains hit by biting sanctions that keep it isolated from global financial systems.

Nuclear talks

Iran had hoped for greater prosperity after its 2015 landmark nuclear deal with major powers gave it sanctions relief in exchange for curbs on its atomic pro-

gram. But former US president Donald Trump in 2018 unilaterally withdrew Washington from the agreement and reimposed a punishing sanctions regime. The economic pain has deepened popular distrust in Iran toward the government, both under the previous president, the moderate Hassan Rouhani, and under Raisi.

The darker mood, say analysts, was reflected in the record abstention rate at last year's election, which came after the repression of protest movements, especially from December 2017 and again in November 2019. Iran had returned to economic growth under Rouhani after the 2018-2019 recession.

But, hit by Trump's sanctions which dramatically curbed crucial oil exports, Iran's GDP per capita is now not expected to recover to its pre-crisis level until next year, according to the International Monetary Fund.

'Social turmoil'

In April 2021, with President Joe Biden in the White House, talks on rescuing the nuclear accord began in Vienna. The negotiations resumed in November 2021 after a pause around Iran's presidential polls but have yet to produce a breakthrough, while the Raisi government faces a budget deficit that economists consider abysmal. Inflation, which has been eroding household purchasing power for years, in June reached 54 percent from a year earlier, according to the latest official data. And the rial currency, which had recovered somewhat early this year on hopes of a deal in the nuclear talks, has since resumed its rapid descent, and reached a new low in June against the dollar.

Then in May, the government started to lift state subsidies on flour and to raise prices on food staples such as oil and dairy products—measures that especially penalized the poor whom Raisi had championed. "The country's economic horizon is far from clear... and economists predict we will face more rising prices," Mehdi Rahmani, editor of the reformist newspaper Shargh, told AFP.

The rising cost of living has driven protests in several Iranian cities in recent months.

Much now depends on how the nuclear talks go, said Rome. "If the nuclear negotiations collapse, as appears likely," he said, "Iran will likely face more significant economic and social turmoil." — AFP

nology venture capital fund in the Middle East with more than \$500 million in capital, invested in Homzmart for the first time. Existing investors including Riyadh-based asset manager Impact46, Dubai-based Nuwa Capital, San Francisco-based Rise Capital and Outliers Venture Capital, an early-stage fund with offices in the US and the Middle East, also participated in the company's latest funding round.

"Homzmart is a building a category-defining company in the \$80 billion furniture market with solid unit economics and an experienced team. We are thrilled to double down with [co-founders] Mahmoud and Ibrahim as they expand Homzmart's footprint to the rest of the region starting with Saudi Arabia," said Mohammed Almeshekeh, managing partner of Outliers Venture Capital.

The e-commerce platform is a one-stop shop that connects consumers with retailers and manufacturers selling home furniture, lighting and decor. Homzmart sales grew more than 30 times in its first year of operation, fuelled by the COVID-19 pandemic, as consumers swapped physical outlets for online shopping sites. — Agencies

Global markets edge down over US-China tensions

LONDON: Stock markets fell Tuesday as investors dumped risky equities on spiking US-China tensions over a possible visit by House Speaker Nancy Pelosi to Taiwan. Wall Street stocks retreated early Tuesday following mixed corporate earnings. Traders were already skittish after a string of data showed economies beginning to take a hit from surging inflation and central bank interest rate hikes aimed at taming prices.

A possible meeting between Pelosi and Taiwanese President Tsai Ing-wen is sure to anger Beijing, which views the island as its territory and has said the White House was playing "with fire". While observers do not think the move will spark a conflict, US officials said China was preparing possible military provocations that could include firing missiles in the Taiwan Strait or "large-scale" incursions into Taiwan's airspace.

Heightened tensions between the world's two superpowers have sent shivers through trading floors, compounding worries that Russia's invasion of Ukraine could escalate into a wider war.

Investors 'very nervous'

"We're seeing more risk aversion as Nancy Pelosi's trip to Taiwan generates numerous unsettling headlines at a time of strained ties between the US and China," said OANDA analyst Craig Erlam. "Pelosi's proposed visit has been met with numerous threats from Beijing including an unspecified military response," he said, adding that the reported trip was "making investors very nervous".

Reports of the visit hit US stocks, with all three main indexes dropping at the start of trading Tuesday.

Asian stocks also fell earlier, though some markets recovered as the day wore on. Hong Kong and Shanghai led losses, shedding more than two percent, while Taipei was off more than one percent along with Tokyo. In Europe, Frankfurt was down 0.2 percent and Paris by 0.2 percent, while only London was up 0.1 percent after oil giant BP announced soaring profits.

"Objectively, given the potential seriousness of some kind of confrontation with China, the market is not reacting with abject fear about the outcome," said market analyst Patrick O'Hare at Briefing.com. The safe-haven yen jumped to a two-month high against the dollar. The Taiwan dollar meanwhile sank to its lowest since April 2020 before bouncing back.

Rising rates

The flare-up in tensions comes less than a week after US President Joe Biden and Xi Jinping held phone talks during which the Chinese leader warned the United States not to "play with fire". The market selloff comes as investors try to assess the outlook for the global economy as leaders try to bring down sky-high inflation by lifting rates while at the same time maintaining growth. Australia's central bank raised its central interest rate for a fourth time by another 50 basis points Tuesday. The Bank of England is also under pressure to make a more aggressive rate hike of 50 basis points this Thursday. Oil prices extended Monday's steep losses that were fuelled by falling demand expectations. — AFP

British Airways halts short-haul Heathrow flight sales

LONDON: British Airways on Tuesday suspended ticket sales for short-haul London Heathrow flights until at least Monday, in order to meet the hub's request to cap flights due to staff shortages. The carrier has been among the worst affected by sector-wide turmoil, as airlines eye recovery after the lifting of COVID pandemic travel restrictions.

BA has already axed thousands of short-haul flights this year as it struggles to meet strengthening demand with sufficient staff.

"As a result of Heathrow's request to limit new bookings, we've decided to take responsible action and limit the available fares on some Heathrow services to help maximize rebooking options for existing customers," BA said in a statement on Tuesday.

The carrier, which is owned by airline conglomerate IAG, added it took the decision "given the restrictions imposed on us and the ongoing challenges facing the entire aviation industry". BA has already been operating a pared-down flights schedule.

In early July, it cut 10,300 short-haul flights up to the end of October. That brought total flight cancellations to 13 percent of its entire summer schedule. Separately, BA had last month avoided a strike by its Heathrow ground staff after making an improved pay offer.—AFP



Ferrari delivered 3,455 cars worldwide in the second quarter, up 28.7 percent on the previous year — AFP

Ferrari lifts annual target after record orders

MILAN: Luxury Italian carmaker Ferrari raised its financial targets for the year on Tuesday after reporting record orders in the second quarter. The iconic firm delivered a total of 3,455 cars worldwide in the second three months of 2022, up 28.7 percent on the

previous year, according to a statement.

"The quality of the first six months and the robustness of our business allows us to revise upward the 2022 guidance on all metrics," said chief executive Benedetto Vigna. "Also the net order intake reached a new record level in the quarter."

Turnover jumped 24.9 percent to 1.29 billion euros (\$1.3 billion), while net profit rose 22 percent to 251 million euros. For 2022, the group is targeting revenues of 4.9 billion euros, compared to 4.8 billion previously. Europe, the Middle East and Africa remained Ferrari's biggest market in the second quarter, although deliveries spiked 116 percent in the region of China, Hong Kong and Taiwan. — AFP

Egypt's Homzmart raises \$23m in expansion push

CAIRO: Cairo-based furniture online marketplace Homzmart has raised \$23 million in its latest funding round, as the startup plans to expand its services, the company's top executive said. "Another major double down on Homzmart's expansion vision and the solid milestones that the company keeps achieving," Mahmoud Ibrahim, co-founder and chief executive of Homzmart, said in a LinkedIn post on Monday.

The latest funding round brings the total amount raised by the Egyptian company to nearly \$40m. That includes \$1.3 million in February 2020 when the company was founded, and \$15 million in November for its expansion into Saudi Arabia earlier this year.

Saudi Technology Ventures (STV), the largest tech-