Gold demand soars on economic rebound, inflation surge: Industry

Industry recoups much of the drop triggered by pandemic

LONDON: Global gold demand soared in the fourth quarter of 2021 as inflation rocketed, helping to recoup much of the drop triggered by the pandemic, industry data showed Friday. Viewed as a haven investment in times of economic unrest, gold saw demand surge 50 percent in the final three months of last year compared with the October-December period in 2020, the World Gold Council said in a report.

Overall last year, "demand recouped much of the COVID-related losses sustained during 2020", the WGC said, adding that total physical purchases jumped 10 percent to 4,021 tons. Gold demand "in the consumer-driven jewelry and technology sectors recovered throughout the year in line with economic growth and sentiment, while central bank buying also far outpaced that of 2020", the Council added.

Looking ahead, it said expansion of 5G telecoms infrastructure should help support demand for gold in the sector. "But demand faces some risks from a slowdown in China as well as COVID-related restrictions," the WGC warned.

Marriage boost

Gold jewelry demand jumped by more than half in 2021 on strong buying in India and China, as celebrations including marriages postponed by COVID finally took place. In India, "millions of people get married, and that involves a certain amount of gold", WGC spokesman John Mulligan told AFP. Elsewhere, global bar and coin investment reached an eight-year high.

"Inflation concerns were a key driver, especially in the US and Germany, which both saw record annual demand," the report said. However global holdings of gold exchange-traded funds-that allow investment outside of futures market-fell by $9 billion, or five percent, last year. Overall, "gold drew direction chiefly from inflation and interest rate expectations in 2021", the WGC concluded. Central banks are raising interest rates to combat decades-high inflation. "Investment may struggle in 2022 amid competing forces but consumer demand should hold strong and central banks will likely keep buying." The gold price dropped four percent last year. — AFP

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BUENOS AIRES, Argentina: Photo released by the Argentinian Ministry of Economy of Argentinian Economy Minister Martin Guzman (right) delivering a press conference on an agreement reached with the International Monetary Fund (IMF) next to Argentinian Chief of Cabinet Juan Luis Manzur, in Buenos Aires on Friday. — AFP

Argentina president announces new debt deal with IMF

BEUNOS AIRES: Argentine President Alberto Fernandez unveiled what he called a "reasonable" new debt repayment deal with the International Monetary Fund on Friday, the day a $700-million repayment was due. The South American country was due this year to pay back $19 billion of its $44-billion debt to the IMF.

With a long history of loan defaults, Argentina had insisted it wanted to honor its commitments this time but without sacrificing economic growth. "Compared to previous ones Argentina signed, this deal does not include restrictions that would delay our development," said Fernandez. Under the previous deal, Argentina would have had to repay $19 billion this year, $20 billion next year and another $4 billion in 2024.

As well as Friday's sum, another $370 million needed to be paid on Tuesday. IMF managing director Kristalina Georgieva said she was "encouraged by today's progress... on reaching an understanding on key policies ... to tackle current challenges such as inflation and secure more inclusive & sustainable growth for the Argentine people." The center-left government had repeatedly said the repayment schedule was unsustainable given their lack of reserves, and was pushing to restructure the timetable.

"We had an unpayable debt that left us without present or future, and now we have a reasonable deal that will allow us to grow (the economy) and fulfill our obligations throughout our growth," said Fernandez. "This understanding plans to sustain the economic recovery that has already begun." The country remains mired in an economic crisis, though, with inflation at 50 percent and poverty over 40 percent.

'No adjustment'

Fernandez said the deal crucially would not force Argentina's government to reduce public spending and would allow it to increase investment in public works. Under the new deal, Argentina has committed to progressively reducing its fiscal deficit from three percent in 2021 to just 0.9 percent in 2024, Economy Minister Martin Guzman said. The gradual reduction-to 2.5 percent in 2022 and 1.9 percent in 2023 — would "not prevent the recovery" of the economy, said Guzman.

It would also allow for public spending to evolve "without an adjustment." The government has enforced strict exchange controls since coming to power in 2019. The new deal provides for a $5-billion increase in Argentina's international reserves, which currently stand at about $38 billion. The agreement must still be ratified by Congress, where the governing coalition-despite being the single largest party-is still in the minority.

"The negotiations were really difficult," said Guzman, who has led the government's efforts. "We worked very hard politically and technically."

10 years for repayments

Fernandez's liberal predecessor Mauricio Macri originally agreed a $57-billion loan with the IMF in 2018, but when his successor took office a year later, Fernandez refused to accept the final $13-billion disbursement. After successfully restructuring a $66-billion debt with private international creditors in 2020, Argentina began negotiations with the IMF to delay repayments.

The shadow of 2001 — when Argentina was plunged into social unrest after defaulting on about $100 billion, in what was then the biggest debt default in history-has loomed over the long negotiating process. Guzman said the new agreement would not be ready for a few weeks as the two sides needed work on the "memorandums of understanding." But he said the repayments would start four years after the agreement is finalized and end six years after that. From the beginning, Argentina's government insisted that the path to reducing its fiscal deficit was through economic growth rather than reducing public spending.

Macri had introduced deeply unpopular austerity measures to comply with the terms of the IMF bailout, but despite initial signs these were stabilizing the economy, he was unable to halt soaring inflation and poverty. The country experienced three years of recession until registering a 10 percent increase in GDP in 2021, although the economy had shrunk by as much the previous year as it suffered the worst effects of the coronavirus pandemic. — AFP

Australia pumps cash into Great Barrier Reef protection

SYDNEY: Australia unveiled a billion-dollar package to protect the climate-ravaged Great Barrier Reef on Friday, hoping to prevent the vast network of corals from being removed from UNESCO's World Heritage list. Conservative prime minister Scott Morrison announced the Aus$1 billion (US$700 million) nine-year plan, months after narrowly avoiding the reef being placed on UNESCO's "in danger" list.

"We are backing the health of the reef and the economic future of tourism operators, hospitality providers and Queensland communities that are at the heart of the reef economy," Morrison said.

The move, welcomed by Paris-based UNESCO, comes ahead of a general election expected in May, when Morrison will have to win key Queensland seats near the reef to remain in power. When the UN previously threatened to downgrade the reef's World Heritage listing in 2015, Australia created a "Reef 2050" plan and poured billions of dollars into protection. The measures are believed to have arrested the pace of decline, but much of the world's largest reef system has already been damaged.

A recent study found bleaching had affected 98 percent of the reef since 1998, leaving just a fraction untouched. The Morrison government's support for coal and reluctance to tackle climate change has seen the party bleed support in major cities and prompted the emergence of a string of electoral challenges from climate-focused independents.

Australians are overwhelmingly in favor of action to limit climate change, having experienced a string of global warming-worsened disasters such as bushfires, droughts and floods.

A 2021 poll by Sydney's Lowy Institute found 60 percent of Australians believed "global warming is a serious and pressing problem". Eight in 10 Australians supported a net-zero emissions target by 2050, which the government reluctantly adopted ahead of a landmark United Nations climate summit in Scotland last year. One of the world's biggest exporters of coal and gas, Australia's economy is heavily reliant on fossil fuels. Its political parties also receive significant funds from coal and gas-linked donors.

'Band-Aid on a broken leg'

The Climate Council pressure group said this latest package of funding was like putting "a Band-Aid on a broken leg". "Unless you are cutting emissions deeply this decade the situation on the reef will only get worse," said the Council's Lesley Hughes, a professor of biology at Macquarie University. "Handing out cash for the Great Barrier Reef with one hand, while funding the very industry-fossil fuels-that's driving devastating climate impacts like marine heatwaves and coral bleaching, means they are adding to the very problem they are claiming they want to fix." Bleaching occurs when healthy corals become stressed by spikes in ocean temperatures, causing them to expel algae living in their tissues, draining them of their vibrant colors. The Great Barrier Reef has suffered three mass bleaching events during heatwaves in 2016, 2017 and 2020, leaving many affected corals struggling to survive.

Much of the government's latest package will be spent on preventing damaging agricultural runoff from polluting the reef. About a quarter of the funds will be channeled to the Great Barrier Reef Marine Park Authority "to reduce threats from Crown of Thorns Starfish", which eat coral.

In Paris, UNESCO welcomed Australia "stepping up financial investment aimed at improving the safeguarding of the Great Barrier Reef". But it said it was still planning to send an expert mission to the site for "an updated and independent" evaluation to be submitted by June.

"It is crucial to point out that that this assessment will be based on scientific facts and that it should not be subject to political instrumentalization," the cultural body said. The assessment would inform a future decision on whether to add the Great Barrier Reef to list of endangered heritage sites, it added. — AFP

Disgruntled Burkina workers welcome coup

OUAGADOUGOU: In Burkina Faso, hundreds of workers are saying good riddance to an ousted president they say let them starve, and hoping for a brighter future under the soldiers who toppled him. Niamba Azara, a woman road sweeper, was among many outside the capital Ouagadougou's labour exchange on Thursday who said they had not received wages for a year.

"We've become beggars," she said. The coup is "good news for us. The country is in a bad way." Around her, others were also glad a military junta seized power from ex-leader Roch Marc Christian Kabore this week. "The former president didn't want workers to eat," claimed Assami Ouedraogo, a gardener in the capital. "We're happy they kicked him out."

Burkina Faso has become mired in a security crisis since 2015, with almost daily jihadist attacks over much of its territory. Many in the West African country in recent years became increasingly frustrated with the former president's inability to quell the insurgency. But social grievances also fuelled the unrest that culminated on Monday in the ouster of Kabore, a banker who was elected in 2015.

'Treated like slaves'

At the labour exchange, the workers said they had not received any pay since February 2021 from Ouagadougou mayor Armand Beouinde, who is known to be close to the toppled head of state. A source in the mayor's office however said the claimants were day laborers who were never hired on permanent contracts and had to be replaced after an open-ended strike. Ismael Ouedraogo, a man in his seventies, sighed after 16 years collecting waste in Ouagadougou.

"We were treated like slaves, prisoners who work without being paid," he said. "I have never been declared, never had a pension or holiday, and now I don't even have a salary. Our pension is death." "What do they want? For us to become bandits? Jihadists?"

Forty percent of the Burkinabe population lives below the poverty line, according to the World Bank. And Burkina Faso ranks 182nd out of 189 countries on the United Nations Development Programme's human development index. Trade union officials say the monthly minimum wage has been stuck at the equivalent of $50 since 2008.

The protest "actions of these workers fuelled frustration and anger among the people of Ouagadougou," said one union representative, Banogo Noufe. "With the coup, the soldiers completed the job."

Abdoulaye Tao, managing editor of the weekly Economiste du Faso, says there is a gap between the grassroots and higher echelons of society, "who have been unable to respond appropriately".

"The lavish ways of public officials, graft complaints not leading to anything... the population has not seen the authorities make any effort," he said. But there has also been plenty to detract from improving the economy, he said, from a popular uprising that deposed long-time leader Blaise Compaore in 2014 and elections the following year, to jihadist attacks from 2015 and then the coronavirus pandemic. The COVID-19 crisis has led to price hikes for certain products in the landlocked nation, which is highly dependent on international trade. Though welcomed by many, the arrival in power of the junta led by Paul-Henri Sandaogo Damiba could deal a further blow to any quest to lift Burkinabes out of poverty. The Economic Community of West African States on Friday suspended Burkina Faso's membership, though it said it would not impose other sanctions such as closing borders for the time being.—AFP

Fitch upgrades Ireland to 'AA-' on economic, business recovery

LONDON: Ratings agency Fitch upgraded Ireland's debt rating on Friday to "AA-" from "A+," citing its economic recovery from the COVID-19 pandemic and increased revenue from business and income taxes.

While Ireland will continue to have a substantial debt burden, Fitch said it expects its debt-to-GDP ratio to decline through 2023 thanks to a new rule restraining the country's spending.

"Fitch expects a continued improvement in Ireland's fiscal metrics, supported by strong revenue performance," the ratings agency said. It had last upgraded the country's debt in 2017 amid improving banking sector health following the eurozone debt crisis.

Corporate income taxes made up nearly 30 percent of the revenue growth, followed by value-added taxes, which brought in about 24 percent, and income taxes, which added more than 17 percent. "These strong growth rates mostly reflect the performance of Ireland's multinational enterprises... especially in the pharmaceutical and IT sectors, and the strong economic recovery from the pandemic," Fitch said. —AFP