

Business

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QINGDAO: Workers look at a cargo ship at a port in Qingdao, in China's eastern Shandong province on July 13, 2022. — AFP



SHANGHAI: People walk on The Bund in the Huangpu district of Shanghai. — AFP

China growth slumps on virus lockdowns, real estate woes

Biggest city Shanghai sealed off for two months

BEIJING: China's economic expansion slumped in the second quarter to levels not seen since early 2020, an AFP poll of analysts found, owing to painful COVID lockdowns and lingering weakness in the real estate sector. Leaders of the world's second-biggest economy remain firmly wedded to a zero-COVID approach of stamping out clusters as they emerge, but the fallout has sapped growth and is pushing policymakers' annual target of around 5.5 percent out of reach.

The slowdown comes after the country's biggest city Shanghai was sealed off for two months over a virus resurgence - snarling supply chains and causing factories to shut - while dozens of others grappled with tightened rules to fight local outbreaks. Gross domestic product is estimated to have expanded 1.6 percent on-year in April-June, according to the AFP poll of experts from 12 financial institutions. Several analysts expect the economy to shrink on a quarterly basis - a first since 2020 at the height of the pandemic. According to key

gauges, activity in both the services and manufacturing sectors contracted in April and May, said Rabobank senior macro strategist Teeuwe Mevissen.

China's property sector, an important economic driver, was also "still in limbo", while lockdowns have severely hit supply and demand, he told AFP. New home sales for the top 100 developers was 43 percent down on-year in June, according to China Real Estate Information Corporation data, with Nomura analysts adding that metro passenger trips in major cities remained below 2021 levels.

China has only logged a GDP contraction once in recent decades, and analysts expect the latest reading will drag full-year growth to around four percent, slashing earlier estimates. Economists have long questioned the accuracy of official Chinese data, suspecting that figures are massaged for political reasons. And Friday's official release will be closely watched as the Communist Party gears up for its 20th Congress when

Xi Jinping is expected to be given another five-year term as president.

Zero-COVID vs growth

China's policymakers want both zero-COVID and growth, an aim made clear during April's Politburo meeting, said Macquarie economist Larry Hu in a recent report. Authorities have vowed efforts to meet this year's target, a goal reiterated by Xi last month, and leaders will likely "decide whether to double down or back down" in July, Hu said. "Rhetorically, policymakers are unlikely to drop the name of 'zero-COVID' any time soon. That said, they could still redefine 'zero-Covid' to make it less and less disruptive to the economy," he added. Last Thursday, Premier Li Keqiang said the foundations for China's recovery are "still unstable" and called for more work to stabilize the economy.

And "multiple uncertainties" also surround the latest rebound, said ANZ Research in a report. Besides

unexpected COVID outbreaks which could trigger more restrictions on movement, "a slowdown in the US economy and the Fed's hiking moves may cloud the outlook for China's exports," ANZ added. Domestically, consumer inflation climbed in June to the highest in two years as pork prices spiked, official data showed Saturday, threatening relative stability from a global surge in food prices. China's economy has started to recover after lockdown restrictions were lifted in Shanghai from June 1, said Oxford Economics' lead economist Tommy Wu. But even if future outbreaks are less disruptive as authorities fine-tune their strategies, "pressure on consumption will likely persist", he added. This week, an auto industry association downgraded its 2022 sales forecast on weaker demand. "Consumer sentiment is unlikely to turn sanguine as strict mobility restrictions will be imposed even when the number of COVID cases in a small neighborhood is very low," Wu added.— AFP

Ukraine, Russia hold grain talks; war sends food prices soaring

ISTANBUL: Russia and Ukraine met UN and Turkish officials on Wednesday in a bid to break a months-long impasse over grain exports that has seen food prices soar and millions face hunger. The high-stakes meeting in Istanbul came with Russia's invasion of Ukraine showing no signs of abating and the sides locked in a furious long-range shooting battle that is destroying towns and leaving people with nothing.

Ukrainian officials said at least five people were killed in Russian shelling on the region surrounding the Black Sea port city of Mykolaiv. "You can't run away from war and you never know where it will find you," 60-year-old agronomist Lyubov Mozhayeva said, while picking up a humanitarian food package in the partially destroyed frontline city of Bahmut.

The first face-to-face talks between Russian and Ukrainian delegations since another meeting in Istanbul on March 29 comes with the threat of food shortages spreading across the poorest parts of the world. Ukraine is a vital exporter of wheat and grains such as barley and maize. It has also supplied nearly half of all the sunflower oil traded on global markets. But shipments across the Black Sea have been blocked by Russian warships and mines Kyiv has laid to avert a feared amphibious assault.

'Two steps from agreement'

The Istanbul negotiations are being complicated by growing suspicions that Russia is trying to export grain it has stolen from Ukrainian farmers in regions under its control. US space agency data released last week showed 22 percent of Ukraine's farmland falling under Russian control since the February 24 invasion. The two sides say they have made progress but are sticking to firm demands that could collapse the talks.

Ukrainian Foreign Minister Dmytro Kuleba said Kyiv was "two steps from an agreement with Russia". "We are in the final stages and everything now depends on Russia," he told Spain's El Pais newspaper. Russia said its requirements included the right to "search the ships to avoid the contraband of weapons"-a demand rejected by Kyiv. UN Secretary-General Antonio Guterres tried on Tuesday to play down expectations of an imminent breakthrough. "We are working hard indeed, but there is still a way to go," the UN chief told reporters.

Grain corridors

NATO member Turkey has been using its good relations with both the Kremlin and Kyiv to try and broker an agreement on a safe way to deliver the grain. Turkey says it has 20 merchant ships waiting in the region that could be quickly loaded and sent to world markets. A plan by the UN proposes the ships follow

safe "corridors" that run between the known location of mines. Kyiv has also asked that its vessels be accompanied by warships from a friendly country such as Turkey. Experts say de-mining the Black Sea is a complex operation that could take months-too long to address the growing global food crisis. Kuleba said he did not think Moscow actually wanted to reach an agreement because proceeds from grain sales would help support a Western-backed government in Kyiv that the Kremlin brands as "Nazis". "They know that if we start to export, we will get proceeds from world markets, and this will make us stronger," Kuleba said.

'Operational pause'

The talks in Istanbul precede a meeting in Tehran next Tuesday between Turkish President Recep Tayyip Erdogan and his Russian counterpart Vladimir Putin. The war in Ukraine has contributed to Turkey's mounting economic problems and further complicated Erdogan's path to a third decade in power in elections due within the next year.

Erdogan's ultimate goal is to bring Putin and Ukrainian President Volodymyr Zelensky down to Istanbul for talks aimed at pausing the fighting and launching formal peace talks. But the Ukrainian army warned this week that Russia was preparing to stage its heaviest attack yet on the Donetsk region-the larger of the two areas comprising the Donbas war zone. The Russian army has not conducted any major ground offensives since taking the last points of Ukrainian resistance in the war zone's smaller Lugansk region at the start of the month.—AFP



UNDISCLOSED LOCATION: This satellite image of farmland in the Ukraine is part of NASA's Harvest program studying global food production. Russian forces now occupy about 22 percent of Ukraine's farmland since the February 24, 2022 invasion, impacting one of the major suppliers to global grain and edible oils markets, NASA said.— AFP

Twitter's lawsuit accuses Musk of contract breach

SAN FRANCISCO: Twitter on Tuesday sued Elon Musk for breaching the \$44 billion contract he signed to buy the tech firm, calling his exit strategy "a model of hypocrisy," court documents showed. The suit filed in the US state of Delaware urges the court to order the billionaire to complete his deal to buy Twitter, arguing that no financial penalty could repair the damage he has caused. "Musk's conduct simply confirms that he wants to escape the binding contract he freely signed, and to damage Twitter in the process," the lawsuit contended. "Twitter has suffered and will continue to suffer irreparable harm as a result of defendants' breaches."

The social media company's shares edged up slightly in after-market trading when the news broke. Legal experts and market analysts see Twitter as having a strong upper hand heading into court, Wedbush analyst Dan Ives said in a note to investors. "This will be a Game of Thrones battle in court with the fake account/bot issue front and center, but ultimately Twitter's board is holding Musk's feet to the fire to finish the deal at the agreed upon price," Ives said.

"Overall this has been a black eye for Musk and horror movie for Twitter (and its employees) with no winners since the soap opera began in April." After weeks of threats, Musk last week pulled the plug on the deal, accusing Twitter of "misleading" statements about the number of fake accounts, according to a letter from his lawyers included in a US securities filing. In his first public remarks since the announcement, Musk took to Twitter over the weekend to troll the company after it said it would sue to enforce the deal.

"They said I couldn't buy Twitter. Then they wouldn't disclose bot info. Now they want to force me to buy Twitter in court. Now they have to disclose bot info in court," he wrote in a tweet, with included pictures of Musk laughing with glee. The termination of the takeover agreement sets the stage for a potentially lengthy court battle with Twitter, which initially had opposed a transaction with the unpredictable billionaire entrepreneur. Twitter has defended its fake account oversight and has vowed to force Musk to complete the deal, which contained a \$1 billion breakup fee.

'Bent over backwards'

The social network says the number of fake accounts is less than five percent, a figure challenged by Musk, who says he believes the percentage is much higher. "Twitter has bent over backwards to provide Musk the information he has



WASHINGTON: A phone screen displays the Twitter account of Elon Musk with a photo of him shown in the background in Washington, DC. - AFP

requested, including, most notably, the full 'firehose' data set that he has been mining for weeks," the lawsuit said.

"From the outset, defendants' information requests were designed to try to tank the deal." Musk made his unsolicited bid to buy Twitter without asking for estimates regarding spam or fake accounts, and even sweetened his offer to the board by withdrawing a diligence condition, the lawsuit said. The way Musk used a large chunk of his Tesla shares to back financing for the deal meant that if stock in the electric car maker declined, he would have to pony up or sell more of it, according to the suit.

"Not only were there no financing or diligence conditions, but Musk had already secured debt commitments that together with his personal equity commitment would suffice to fund the purchase," it said. Musk's ability to terminate the deal to buy Twitter before the "drop-dead" date of October 24 of this year is extremely limited, and closing is subject to little more than approval of Twitter shareholders and regulatory approvals, the suit added.

His norm-defying conduct has come as little surprise to watchers of the Tesla and SpaceX chief after years of statements that flout or test convention and sometimes provoke a crackdown from regulators. While Twitter has asked the court to enforce the deal, the company's legal action could yield a variety of outcomes. "There are a range of possibilities that can come from the Delaware court including settlement, breakup fee paid, deal enforced, and a myriad of other outcomes," analyst Ives wrote.— AFP