

Business

European stocks fall, traders on edge; oil rebounds slightly

German investor morale slumps as gas crisis looms

LONDON: European equities fell Wednesday with traders on edge before key June inflation data in the United States. The London stock market sank by nearly one percent, around half-way through the session, despite news of rebounding UK economic growth in May. Eurozone stocks were down by about one percent after a mixed close in Asia. The euro clawed back slightly, one day after hitting dollar parity for the first time in two decades on concerns about a possible recession in the eurozone. Oil rebounded slightly having fallen sharply Tuesday on weaker demand expectations.

Tenterhooks

"Markets are on tenterhooks ahead of the US inflation data which will hold great sway over the Fed's rate-hike plans," said Exinity Markets analyst Han Tan. "A fresh four-decade high, along with more signs of unabating inflationary pressures, may well force the Fed to punch harder and faster in its battle against runaway consumer prices." Markets fear more evidence of red hot US inflation will prompt the Fed to keep hiking interest rates aggressively after it ramped up borrowing costs by three-quarters of a percentage point last month.

US inflation had spiked to a four-decade high of 8.6 percent in May. Inflation is soaring worldwide after economies reopened from pandemic lockdowns and as the Ukraine war keeps energy prices elevated. In a further sign of the pressure being felt around the world, the New Zealand and South Korean central banks each lifted interest rates by 0.5 percentage points Wednesday. It was the steepest increase by Seoul since 1999.



PANAMA CITY: Protesters tear down a barrier during a march against the high cost of food and gasoline in Panama City.— AFP

Panama protests continue despite fuel price cuts

PANAMA CITY: Thousands of Panamanians took to the street again on Tuesday to protest rising inflation and government corruption, despite the announcement of price cuts for fuel and some food products. The demonstrations, called for by the Central American country's numerous unions, have lasted for two weeks and resulted in some main highways being closed.

President Laurentino Cortizo announced Monday that the price of gasoline for private vehicles will be reduced to \$3.95 per gallon from July 15, a drop of 24 percent from the price at the end of June. He also announced that his government would draft a decree to freeze the prices of a dozen essential food products.

Uber's litany of controversies

PARIS: Even before new leaks emerged revealing bare-knuckle expansion tactics at ride-hailing giant Uber, the app was dogged by controversy over harassment, hacking and standoffs with the authorities over its workers' rights. This is what we knew about Uber, founded in 2010, before the joint media investigation.

Riders fight for rights

Since the outset Uber has been fighting an ongoing battle over the status of its workers, which it insists are freelancers, a flashpoint issue across the gig economy. In March 2021, following a ruling by Britain's High Court, Uber agreed to give its UK drivers workers' entitlements including holiday pay and a pension. Its 70,000 drivers there should now earn at least the minimum wage.

In the US the Biden administration in May 2021 blocked a rule handed down under former president Donald Trump that would have prevented gig workers from demanding a minimum wage or overtime. In December 2021 the European Union tabled plans that could force Uber and other platforms to treat their workers as fully-fledged employees. French and Dutch courts have ruled the contract between Uber and its drivers is an employment contract.

Harassment

Co-founder Travis Kalanick resigned from Uber in June 2017 amid heavy pressure following reports about a cutthroat workplace culture, harassment and other ills. His exit followed a probe led by former US attorney general Eric Holder, who investigated allegations of misconduct and ethical lapses at the company. Uber fired 20 people following the probe, which examined 215 claims of discrimination, harassment, unprofessional behavior, bullying, retaliation and "physical security". Also that month a woman raped by an Uber driver in India filed a

Europe gas crisis

The euro held above \$1 a day after hitting parity for the first time since late 2002, as a worsening energy crisis fanned expectations that the eurozone would plunge into recession. With Russian energy giant Gazprom starting 10 days of maintenance Monday on its Nord Stream 1 pipeline, the bloc - and particularly gas-reliant Germany - is waiting nervously to see if the taps are turned back on. The single currency has been hit also by the European Central Bank's reluctance to raise rates - in contrast to monetary policy elsewhere.

"A prolonged cut to the gas supply would halt a lot of economic activity, sending (Germany) deep into recession," said Tapas Strickland at National Australia Bank. He said July 21 - when the gas should be switched back on - will be a crucial date. "That date also happens to be the day of the next ECB meeting," Strickland added. "Either of these events are key risk events. Russia playing gas politics by not switching on the gas supply would likely see the euro lurch much lower."

German investor morale

Meanwhile, German investor confidence dropped in July, a closely watched survey showed on Tuesday, as industry fretted over the potential impact of a halt in Russian gas supplies on Europe's largest economy. The ZEW institute's economic expectations index fell 25.8 points to minus 53.8 points, its lowest level since 2011.

For its survey, ZEW quizzes experts about the current economic situation and the outlook for the coming six months. A negative reading means that most



WASHINGTON: In this file photo, gas prices are displayed on a sign in Washington, DC. US consumer price inflation surged 9.1 percent over the past 12 months to June, the fastest increase since November 1981, according to government data released on July 13, 2022. — AFP

experts are pessimistic. The July reading was "slightly lower" than the level seen in March 2020 at the start of the coronavirus pandemic, when shutdowns effectively halted large parts of the economy, ZEW said in a statement.

Concerns surrounding Germany's energy supply, an imminent rise in European Central Bank interest rates and continuing coronavirus-related restrictions in key market China contributed to a "significant worsening of the economic outlook", ZEW president Achim Wambach said. Morale among export-oriented and energy-intensive industries fell "particularly sharply",

Wambach said.

On Monday, Russian energy giant Gazprom halted supplies to Germany via the Nord Stream 1 pipeline as it began maintenance work on the link. But concern in Europe's largest economy is widespread that the pipeline will not come back online after the service period, threatening Germany with a winter shortage. A long-term shutdown would hit industry hard, with authorities already preparing for the possibility of rationing supplies. Investors' assessment of the current economic situation also fell by 18.2 points in July to minus 45.8 points, according to the survey.— AFP

Supply risks haunt market despite high oil prices

PARIS: High oil prices have yet to dampen demand which is set to continue rising and may soon outstrip supply, the International Energy Agency warned Wednesday. It cautioned that the global economic recovery could be derailed unless governments take measures to reduce consumption and fuel prices that pose a threat to stability in some nations.

"Without strong policy intervention on energy use, risks remain high that the world economy falls off-track for recovery," the Paris-based agency that advises industrialized nations on energy policy said in its latest monthly report on oil markets. Oil prices have surged from around \$80 per barrel earlier this year to over \$120 at times as Russia's invasion of Ukraine has sparked supply concerns and the reopening of China's economy from COVID lockdowns has boosted demand.

If high petrol prices have started to dent demand in

industrialized nations, the IEA said this has been counterbalanced by larger-than-expected rebounds in demand by China and some emerging and developing nations. The IEA now expects oil demand to rise this year to 99.2 million barrels per day (mbd) and to 101.3 mbd next year.

Meanwhile, supply climbs to 100.1 mbd this year. But even if it hits an expected record of 101.1 mbd next year, it will fall below demand. The IEA noted that the world has little spare capacity to increase production, with the combined buffer of Saudi Arabia and the United Arab Emirates set to fall to just 2.2 mbd in August. It said the production of OPEC+ nations could even fall next year if Russia's supply is impacted as expected by tightening international sanctions.

Coupled with tight refinery margins causing imbalances in certain product markets and putting upward pressure on prices, "it may be up to demand side measures to bring down consumption and fuel costs that pose a threat to stability, most notably in emerging markets," the IEA said. It added the strengthening of the dollar versus other currencies as the US Federal Reserve hikes interest rates has compounded the pain of already rising import costs for food and oil for numerous developing and emerging nations, including Sri Lanka which has been gripped by social unrest.— AFP



LUANDA: A general view of the refinery at the state oil company, Sonangol, in Luanda. Oil-rich Angola on Thursday unveiled a new production unit that will increase fourfold the output at its sole refinery as it seeks to reduce dependency on fuel imports.— AFP

UK's economy rebounds despite soaring inflation

LONDON: Britain's economy rebounded in May, official data showed Wednesday, dampening fears of a slowdown despite surging inflation and rising interest rates. Gross domestic product expanded 0.5 percent, the Office for National Statistics said in a statement, beating expectations of zero growth. "The economy rebounded in May with growth across all main sectors," said Darren Morgan, ONS director for economic statistics.

The broad rebound was driven by a bounceback in construction, manufacturing and services. That followed a 0.2-percent decline in April, which was revised up from a 0.3-percent contraction. "Health was the biggest driver, with many more people seeing GPs, despite test and trace and the vaccination programs winding down," added Morgan. "Road hauliers also had a busy month while travel agencies fared well with pent-up demand for summer holidays."

"There was widespread growth across manufacturing after several tough months while construction also fared well with housebuilding and office refurbishment driving growth." The Bank of England has hiked interest rates five times since December in a bid to tame runaway inflation, which has sparked a cost-of-living crisis in Britain. UK inflation spiked in May to a 40-year peak of 9.1 percent, a level set to hit double figures this year on soaring energy and food prices

according to the BoE. The UK government meanwhile welcomed Wednesday's upbeat data.

"It's always great to see the economy growing but I'm not complacent," said finance minister Nadhim Zahawi. "I know people are concerned so we are continuing to support families and economic growth." Zahawi is among eight Conservative MPs vying to become Britain's next prime minister following last week's resignation of scandal-hit Boris Johnson as Conservative Party leader. Capital Economics analyst Paul Dales said the economy was "resilient" but warned over the ongoing risk of recession due to rampant price rises.

Poisoned chalice?

"It is far too soon to conclude that the economy will be able to get through this period of unusually high inflation largely unscathed," Dales said. "With real household disposable incomes set to fall further in the third quarter, a recession is still a real risk. "That may mean the economy proves to be a poisoned chalice for whoever wins the race to be the next Prime Minister." Many economists fear the economy could also stumble in June due to the long bank holiday weekend that marked Queen Elizabeth II's Platinum Jubilee.

Wednesday's data could encourage the BoE to implement a half-point rate hike at its next meeting in August, Dales added. The central bank in June lifted the cost of borrowing by a quarter-point to 1.25 percent, the highest level since the global financial crisis in 2009. Britons, like others in many countries, are grappling with soaring consumer prices fuelled partly by fallout from Russia's war on Ukraine, which has destabilized energy markets.— AFP