

## Business

# US consumer prices surge to new 40-year high, 9.1%

## High inflation heaps pressure on President Joe Biden

WASHINGTON: US inflation surged to a fresh peak of 9.1 percent in June, further squeezing American families and heaping pressure on President Joe Biden, whose approval ratings have taken a battering from the relentless rise in prices. Government data released Wednesday showed a sharp, faster-than-expected increase in the consumer price index compared to May driven by significant increases in gasoline prices.

The 9.1 percent CPI spike over the past 12 months to June was the fastest increase since November 1981, the Labor Department reported. Energy contributed half of the monthly increase, as gasoline jumped 11.2 percent last month and a staggering 59.9 percent over the past year. Overall energy prices posted their biggest annual increase since April 1980.

While acknowledging the inflation rate was "unacceptably high," Biden argued that it was also "out of date" as it did not reflect a clear drop in energy prices since mid-June. The recent price drop had provided "important breathing room for American families. And, other commodities like wheat have fallen sharply since this report," the president said in a statement.

Insisting that tackling inflation was the top priority, Biden admitted his administration needed "to make more progress, more quickly, in getting price increases under control." The war in Ukraine has pushed global energy and food prices higher, and US gas prices at the

pump last month hit a record of more than \$5 a gallon. However, energy prices have eased in recent weeks, which could start to relieve some of the pressure on consumers.

But the Federal Reserve is likely to continue its aggressive interest rate increases as it tries to tamp down the price surge by cooling demand before inflation becomes entrenched. The US central bank last month implemented the biggest rate hike in nearly 30 years, and economists say another three-quarter-point increase is likely later this month. Ian Shepherdson of Pantheon Macroeconomics summed up the data in one word: "Ouch." "This report will make for very uncomfortable reading at the Fed," he said. "It rules out the chance of the Fed hiking by only 50bp this month."

### Signs of cooling?

Driven by record-high gasoline prices, the consumer price index jumped 1.3 percent in June. But Shepherdson noted some signs of cooling prices in the data and predicted "this will be the last big increase." When volatile food and energy prices are stripped out of the calculation, "core" CPI increased 5.9 percent over the past year - still a rapid pace but slowing from the pace in May, according to the data.

Food and housing prices also rose in June, as did car prices, though the rate has stabilized or slowed from the past month, the report said. The White House came out ahead of the report to predict it would show "highly elevated" infla-



NEW YORK: People walk past the New York Stock Exchange during morning trading on July 13, 2022 in New York City. The stock market opened on a low note amid the release of inflation data by the Labor Department that showed US inflation reaching 9.1% in June, the highest rate in nearly 41 years. Americans are seeing increased prices, including gas, food and rent. —AFP

tion. But press secretary Karine Jean-Pierre noted that the "backwards looking inflation data" does not take into account recent declines in gasoline prices. According to AAA, the national average price at the pump was down to \$4.63 a gallon, from \$5.01 a month ago. —AFP

## Haiti to lose 4,000 textile jobs due to fall in US demand

PORT-AU-PRINCE: Haiti's textile industry will shed at least 4,000 jobs by year's end due to the slowdown in the US market, further hurting an impoverished Caribbean country already racked by unemployment, instability and gang violence. The Haitian subsidiary of the South Korean textile group Sae-A, which currently employs 10,000 people in the Caribbean country, announced the sharp cut in its workforce via a press release dated July 4.

"Due to the recent economic decline in the US market, 45 percent of orders from our US retail customers have been cancelled," said S&H Global, which supplies the Gap, Target and Walmart, among others. That drastic reduction in activity is pushing the industry to "lay off up to 4,000 employees by the end of the year," said the company, calling it "a heartbreaking situation."

S&H Global started operating in Haiti in 2012, when the Caracol industrial park opened near the country's second city Cap-Haitien on the northern coast. In its warehouses, where scores of sewing machines are lined up, many members of the overwhelmingly female workforce found their first formal job in a country where nearly half of the population suffers from food insecurity.

The expected reduction in industrial activity comes as Haiti slips ever deeper into political crisis, a year after the assassination of President Jovenel Moïse. With no election in sight to fill the power vacuum, the police force does not have the manpower or resources to take on the gangs across the country that have risen from their slum bases to take over several key strategic highways. The gangs have unleashed a wave of kidnappings and fought turf wars that have paralyzed most socio-economic activity in Port-au-Prince.

In an economy at half mast for several decades, with almost non-existent international tourism due to political instability and insecurity, subcontracting factories have been the main provider of formal jobs, with nearly 50,000 people currently employed. Under US law, any textile company established in Haiti can export its goods to the United States without customs fees. The Haitian minimum wage, slightly increased in February, is just 0.73 euros per hour, another strong argument for setting up factories in the country. —AFP

## S Korea delivers a historic hike to tame inflation

SEOUL: South Korea's central bank on Wednesday delivered a historic half-point interest rate hike to tame fast-growing inflation, particularly soaring energy costs linked to the war in Ukraine. The Bank of Korea (BOK) raised its benchmark policy rate by 50 basis points to 2.25 percent, it said in a tweet, the largest increase since its current framework was implemented in 1999.

The decision comes as Asia's fourth-biggest

## India accuses China's Oppo of evading \$551 million in import tax

NEW DELHI: Indian authorities Wednesday accused Chinese smartphone maker Oppo of evading customs duty worth \$551 million, the latest tech company from China to face scrutiny by local investigative agencies. India's Directorate Of Revenue Intelligence (DRI) found evidence that Oppo wrongfully used duty exemptions for items imported for use in mobile phone production, a government statement said.

DRI officials searched Oppo India offices and key managers' residences, it said, and recovered "evidence indicating wilful mis-declaration in the description of certain items imported by Oppo India for use in the manufacture of mobile phones". Relations between New Delhi and Beijing have been at a low ebb since a deadly Himalayan military stand-off between the countries in 2020. The searches make Oppo the latest Chinese tech company to come under New Delhi's spotlight, after similar raids against Vivo, Xiaomi and Huawei earlier this year.

Oppo, which is owned by China's BBK Electronics, did not immediately respond to a request for comment. Oppo India, which also manages other brands including OnePlus and Realme, is one of the largest smartphone vendors in the country. India's home ministry has banned hundreds of mobile applications of Chinese origin, including the hugely popular social media platform TikTok. The government justified the bans as a necessary safeguard against threats to India's sovereignty.

## NZ hikes interest rates to six-year high; prices soar

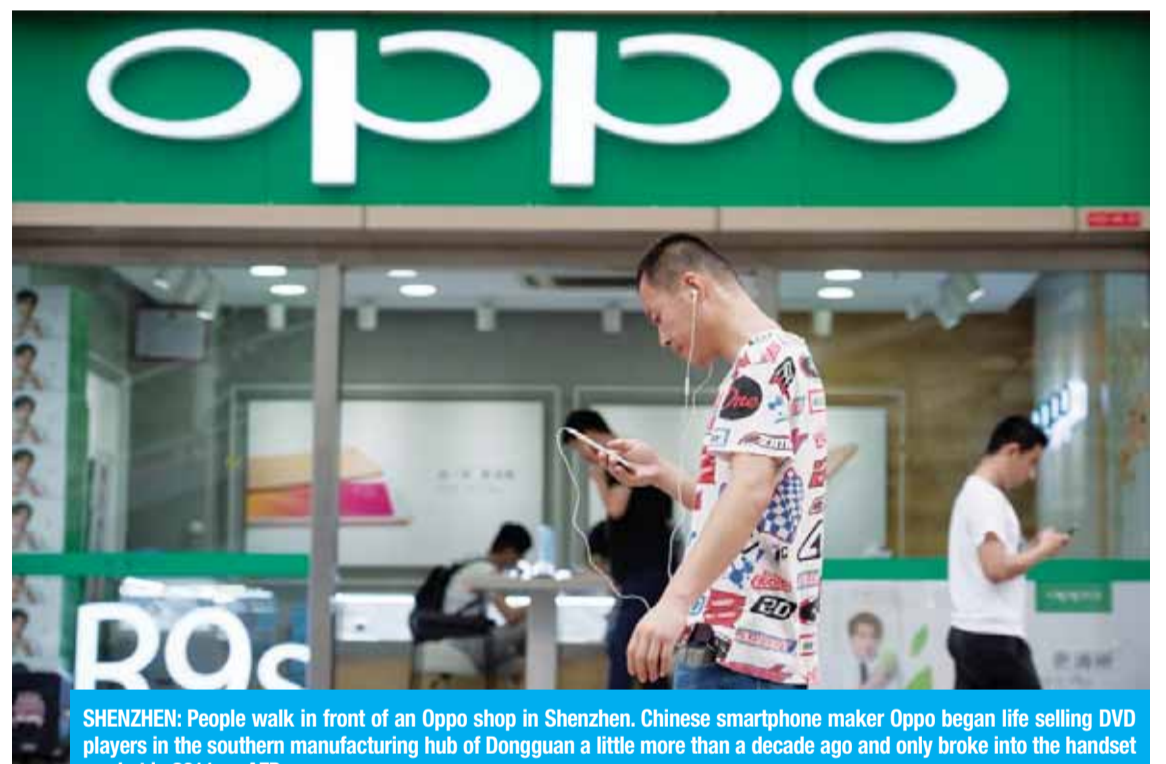
WELLINGTON: New Zealand's central bank on Wednesday raised its benchmark interest rate to the highest level in six years and warned further rises were on the cards as it joins a global fight against surging inflation. The Reserve Bank of New Zealand's official cash rate was lifted 50 basis points for the third successive meeting, to 2.5 percent.

Borrowing costs are now at their highest level since January 2016 and the monetary policy committee reaffirmed a hawkish approach to tackling inflation, which sits at a 30-year peak of 6.9 percent. "The committee is resolute in its commitment to ensure consumer price inflation returns to within the one to three percent target range," it said in a statement.

The local dollar barely moved after a decision that had been widely anticipated. "The name of the game is reining in 30-year high inflation. And there are few signs of price

economy recovers from a COVID-induced slowdown while struggling with rising fuel and raw material prices. Last month, the country's consumer price index jumped six percent on-year, hitting its highest point since the Asian financial crisis more than two decades ago.

While South Korea's exports remain a major driver of economic growth, the country posted a trade deficit for the second consecutive month in May as a result of rising import costs, according to government data. Central banks around the world have launched a series of rate increases as Russia's war in Ukraine has fuelled a surge in energy and food prices that has driven up inflation. The BOK reduced its 2022 growth forecast to 2.7 percent in May, down from 3 percent three months earlier. —AFP



SHENZHEN: People walk in front of an Oppo shop in Shenzhen. Chinese smartphone maker Oppo began life selling DVD players in the southern manufacturing hub of Dongguan a little more than a decade ago and only broke into the handset market in 2011. —AFP

Anti-China sentiment has grown in India since the fatal 2020 troop clash, sparking calls for consumer boycotts of Chinese goods. China continues to be a key economic partner for India, with more than \$125 billion in bilateral trade last year. India is home to the

second-highest number of smartphone users in the world, after China. Its smartphone market grew 27 percent year-on-year in 2021, according to tech research firm Counterpoint, with annual sales exceeding 169 million units. —AFP



SUVA: New Zealand Prime Minister Jacinda Ardern (left) speaks as Foreign Minister Nanaia Mahuta looks on during a press conference at the Pacific Islands Forum (PIF) in Suva on July 13, 2022. —AFP

pressures letting up," said economists at Kiwibank. The move comes as central banks around the world are forced to lift rates as they battle decades-high inflation, fanning fears of another recession and sending equity markets tumbling. —AFP



SEOUL: Pedestrians cross a road in front of the Bank of Korea headquarters in Seoul on July 13, 2022, after South Korea's central bank delivered a historic half-point interest rate hike to tame fast-growing inflation. —AFP