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Business

KUWAIT: A night view of Kuwait City. Kuwait's annual inflation has edged up to 4.52 percent in May, said Central Statistical Bureau, Kuwait in its latest report.

Kuwait's inflation edges up to 4.52%

Government must invest in food security sector to maintain price stability: Expert

By Majd Othman

KUWAIT: Kuwait's annual inflation has edged up to 4.52 percent in May, recording an annual increase in the general measurement of consumer prices, said Central Statistical Bureau, Kuwait in its latest report.

The report suggests that the spike in the inflation is a result of the increase in the prices of some major commodity groups, the movement of indices and a decrease in the prices of some other groups.

"The rise in oil prices is one of the direct reasons for the increase in prices globally as the rise in the costs of transportation and shipments of essential commodities added to the inflation pressure, said Maitham Al-Shakhs, an independent economic researcher.

According to Central Statistical Bureau, the monthly prices of the food and beverage group recorded an increase of 0.99 percent in May 2022 compared to the previous month as a result of the increase in the prices of cereals and bread group, meat and poultry group, fish and seafood group, dairy, cheese and eggs group, fresh, frozen and dried fruits group, fresh, frozen and dried vegetables, sugar and its products group, beverage group, while the prices of oils and fats groups and a group of other foodstuffs were stable.

Annually, the prices of food and beverage group witnessed an increase of 8.23 percent in May 2022 compared to 2021 of the same month.

Regarding the government intervention in checking the price spiral in the country, Al-Shakhs said, relying on the government for absolute support is wrong, at the same time the lack of government support is also wrong.

"Moderation in support is what is required at the moment. If the government wants to support measures to rein in inflation, it can do it through an increase in salaries or like what happened in previous years when there was a certain amount of financial support to ease the burden of cost of living," he said.

"However, a government intervention by handing out cash to citizens is something that will not check the inflation. It might mitigate the burden of some consumers by easing the prices, but it could fuel the prices of many commodities as a result of the lack of effective control by the Ministry of Commerce. The ministry becomes powerless to stop traders from artificially jacking up the prices as they could exploit the government subsidies. When the subsidy levels rise, the merchants will tend to exploit the situation and take benefits out of the situation," he pointed out.

"The real government support lies in investing in local and international factories to get the best prices for the essential food products such as investing in international farms to obtain wheat and rice at low prices. This must be the real support by the state in terms of food security," Al-Shakhs added.

'Make Kuwaiti products available in market'

Maitham Al-Shakhs

"What we are missing significantly is the expansion of investment in external food security, as we are not an agricultural country. At the same time, there are opportunities for agricultural investment in many Arab countries and others, and the opportunities exist and they are real. But the question, for years, has been that why the government did not intervene in this aspect of support. Maybe because of some political reasons or other reasons," he quipped.

"After the entry of the Kuwait Fund for Arab Economic Development into many countries, I think, it is a great opportunity for the government to invest in the food security sector in order to maintain price stability," she mentioned.

Supporting local manufacturing of products we import currently and working on reducing its prices as against the prices of imported products are among the other remedial solutions to rein in inflation. "We have many experiences with the farm produces made domestically. Unfortunately, Kuwaiti products could not face the stiff competition of imported products as their prices are less compared to the products manufactured locally. Ironically, consumers are concerned more about prices rather than quality," he pointed out.

"The Entrepreneurs Fund and the Public Authority for Industry have a great job to do under the current circumstances. They need to extend real support to make national products available in the markets. This, in my view, will save the state a lot of money from extending direct support, be it in the form of salaries or other means," he said.

The report of the Central Statistical Bureau mentioned that the prices have witnessed an annual increase in the education group of 18.95 percent, the clothing and footwear group by 6.37 percent, housing services 2.26 percent, home furnishings 2.27 percent, the recreational and cultural group 3.88 percent, restaurants and hotels by 2.77 percent, and the miscellaneous goods and services group 3.21 percent.

EU agrees plan to cut Russian gas and protect Germany

BERLIN: The European Union agreed a plan to reduce gas consumption on Tuesday, an act of solidarity with Germany and a response to Russia's manipulation of supplies as an economic weapon.

The plan, approved by energy ministers in Brussels, will see exceptions and carve-outs as some EU countries blanched at making too deep a sacrifice for Berlin and a few landlocked member states.

But Hungary was the only member state to oppose the plan, which passed on a majority vote, and the ministers' Council of the European Union hailed the deal as a victory for EU unity.

"In an effort to increase EU security of energy supply, member states today reached a political agreement on a voluntary reduction of natural gas demand by 15 percent this winter," the council said.

"The Council regulation also foresees the possibility to trigger a 'Union alert' on security of supply, in which case the gas demand reduction would become mandatory," the statement continued.

"The purpose of the gas demand reduction is to make savings ahead of winter in order to prepare for possible disruptions of gas supplies from Russia that is continuously using energy supplies as a weapon."

'Dirty games'

Germany, the EU's economic powerhouse, is hugely dependent on Russian gas and remains at the mercy of the supply from Gazprom for the years still needed to find alternative sources.

"It is true that, Germany with its dependence on Russian gas, has made a strategic mistake but our government is working... to correct this," Germany's economy minister Robert Habeck said as he arrived.

France said showing solidarity with Berlin would help in turn protect all of Europe, even though Germany takes a major share of the 40 percent of EU gas imports that came from Russia last year.

"Our industrial chains are completely interdependent: if the chemical industry in Germany coughs, the whole of European industry could come to a halt," said French minister for energy transition, Agnes Pannier-Runacher.

The plan asks member states to voluntarily reduce gas use by 15 percent — based on a five-year average for the months in question — starting next month and over the subsequent winter through March.

COPENHAGEN, Denmark: In this file photo taken on May 16, 2022, shows blue and red gas flames on a kitchen gas stove in Copenhagen, Denmark. —AFP

Czech industry minister Jozef Sikela, whose country holds the rotating EU presidency, said the plan would deliver a strong answer to state-run Gazprom's plan to cut gas deliveries to Europe.

Russian President Vladimir Putin "will continue to play his dirty games in misusing and blackmailing gas supplies," Sikela said.

Gazprom has said it is cutting daily gas deliveries to about 20 percent of capacity from Wednesday.

'Wise strategy'

The EU member countries had already rejected an earlier European Commission proposal to give Brussels — rather than the member states — the power to impose gas use cuts in an emergency.

And the 15-percent target will also be adapted to the situation of each country through a series of exemptions, taking into account their level of stocks and whether or not they have pipelines to share gas.

"Nobody challenges the need for solidarity, but the means of solidarity can be very different and the initial proposal was not necessarily the most effective approach," Spain's minister for ecological transition, Teresa Ribera Rodriguez, said.

Exceptions are planned for island states such as Ireland, Cyprus or Malta and countries, such as Spain or Portugal, with limited links to the interconnected gas supply grid.

Gazprom said Monday that it was halting the operation of one of the last two operating turbines due to the "technical condition of the engine", but Simson dismissed this claim.

"We know that there is no technical reason to do so," she said. "This is a politically motivated step and we have to be ready for that and exactly for that reason the pre-emptive reduction of our gas demand is a wise strategy."—AFP

Saudi Arabia's non-oil exports up nearly 27% to $7.44bn in May

RIYADH: Saudi Arabia's non-oil exports including re-exports grew to $7.44 billion in May, compared with 22 billion Saudi riyals during May 2021, according to data released on Monday by the General Authority for Statistics.

Growth was driven by products of the chemical and allied industries, which made up more than 35 per cent of total non-oil merchandise exports, followed by plastics and rubber products, which accounted for more than 31 per cent, government data showed. Saudi Arabia's non-oil economy has continued to expand as the kingdom recovers from the coronavirus-induced slowdown.

New business in the country's non-oil private sector rose at the sharpest rate for eight months in June amid a rise in orders. The headline seasonally-adjusted S&P Global Saudi Arabia Purchasing Managers' Index rose to 57 in June from 55.7 in May, the highest reading since October 2021 and slightly above the survey's long-run average of 56.8.

The International Monetary Fund estimates that the Saudi economy will expand 7.4 per cent this year, driven by higher oil revenue, a projected improvement in the country's non-oil gross domestic product and its efforts to diversify the economy. Saudi Arabia's overall exports increased more than 83 per cent in May to 144.1 billion riyals, up from 78.6 billion riyals in the same month last year. This increase was mainly driven by oil exports, which rose more than 105 per cent in the same period, the report said. The share of oil exports in total exports increased to 80.6 per cent in May, from 72 per cent in May 2021. Meanwhile, the kingdom's imports increased nearly 22 per cent to 53.9 billion riyals in May, from 44.2 billion riyals in the same period last year.— Agencies