

Business

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Sanctions-hit Iran, Venezuela sign 20-year cooperation deal

Direct flights between Tehran and Caracas to promote tourism

TEHRAN: Iran and Venezuela signed a 20-year deal on cooperation between the two allies subject to US sanctions during a visit Saturday to the Islamic republic by Venezuela's President Nicholas Maduro. The inking of the agreement "shows the determination of the high-level officials of the two countries for development of relations in different fields," Iran's President Ebrahim Raisi said.

Maduro, speaking at a joint news conference in the Iranian capital, said the cooperation covered the energy and financial sectors as well as "work together on defense projects". Alongside the likes of Russia, China, Cuba and Turkey, Iran is one of Venezuela's main allies. And like Venezuela it is subject to tough US sanctions.

"Venezuela has passed hard years but the determination of the people, the officials and the president of the country was that they should resist the sanctions," Raisi said during the news conference, quoted by state television. "This is a good sign that proves to everyone that resistance will work and will force the enemy to retreat," the Iranian president added. In addition to the 20-year accord inked by the two countries' foreign ministers, "Iran and Venezuela signed documents on cooperation in the political, cultural, tourism, economic, oil and petrochemical fields," state news agency IRNA said. "We have important projects of cooperation between Iran and Venezuela in the fields of energy, petrochemical, oil, gas and refineries," Maduro said.

Direct flights

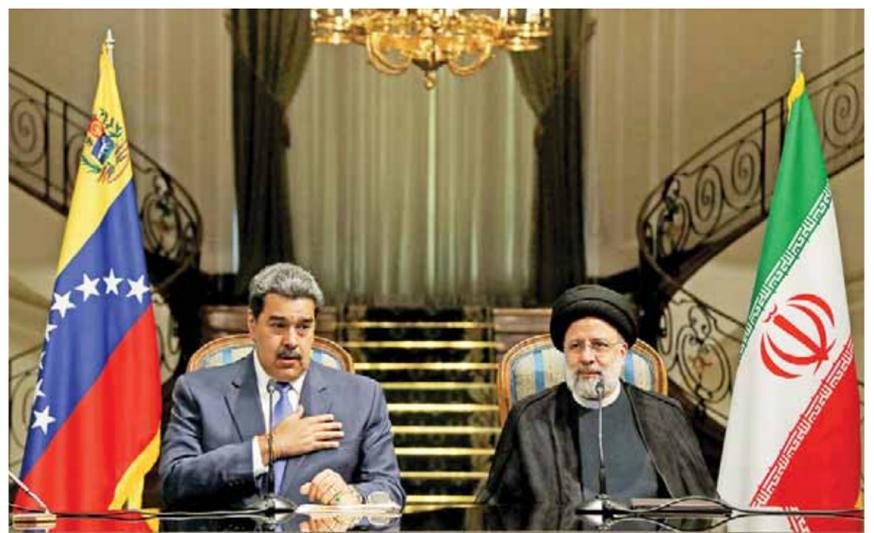
From July 18, direct flights would operate between

Caracas and Tehran "in order to promote tourism and the union between our countries," he said, adding that "Venezuela is open to receive tourists from Iran". Iran's president also emphasized the importance of direct flights between the two capitals, saying it could pave the way for the enhancement of "trade and economic relations as well as bringing the two nations closer together". Bilateral ties between the two oil producers were strong under late Venezuelan socialist leader Hugo Chavez and have been further bolstered under his successor Maduro.

In May, Iran's Oil Minister Javad Owji met with Maduro during an official visit to Venezuela, which sits on the world's largest proven crude reserves. Owji also met his Venezuelan counterpart Tareck El Aissami for talks on finding ways to deal with the economic sanctions imposed on both countries by the United States.

Owji's visit to Venezuela, which sits on the world's largest proven reserves of crude, came just weeks after a visit by United States officials in the midst of rising global oil prices due to the war on Ukraine. In March, a US delegation held a hushed meeting with Maduro, whose very legitimacy as president Washington disputes. Iran is a major oil producer and said in April that output capacity was back to levels before the reimposition of US sanctions under then president Donald Trump in 2018.

In 2020, Venezuela received two shiploads of fuel and derivatives from Iran to help address crippling domestic shortages. Iran is the third country that Maduro has visited this week after trips to Turkey and Algeria. — AFP



TEHRAN: A handout picture provided by the Iranian presidency shows Iran's President Ebrahim Raisi (right) and Venezuela's President Nicolas Maduro (left) giving a joint statement after their meeting in the capital Tehran on June 11, 2022. —AFP



Toxic cocktail darkens outlook for British pound

LONDON: A toxic cocktail of sluggish growth and high inflation, plus Brexit and fallout from the coronavirus pandemic, is set to weigh on the pound in the coming months, economists warned. Since the start of the year, sterling has fallen by more than seven percent against the dollar, which is benefiting from rises in US interest rates. The pound has also fallen by 1.7 percent against the euro since the beginning of 2022.

This comes despite the Bank of England having raised UK borrowing costs four times this year to fight inflation. By contrast, the European Central Bank is waiting until July to raise its key interest rates for the first time in more than a decade. BoE rate rises have "been insufficient to offset the headwinds weighing on the pound", said Rabobank analyst Jane Foley.

"Concerns about growth have been central to the poor performance of the pound," she said. Fears of recession in the UK and elsewhere are gaining momentum as soaring inflation-fuelled by rocketing energy prices-hits investment and consumer spending. Oil and gas demand has surged as economies emerge from pandemic lockdowns, while supplies have been hit by the invasion of Ukraine by major producer Russia. Britain's annual inflation rate stands at nine percent, a 40-year high, while the Bank of England is forecasting the UK economy to contract at the end of the year. The Bank of England's next rate decision is due June 16 when it is expected to take its main borrowing cost above one percent. "Hiking rates against a sharply slowing economy is never a good look for any currency," said Bank of America currency strategist, Kamal Sharma.

Brexit cost

The pound has dropped to around \$1.25 compared with \$1.40 before the 2016 vote in favor of Brexit, or Britain's departure from the European Union. After the UK entered its first pandemic lockdown in March 2020, sterling sank to \$1.14, the lowest level since 1985. And the pound took a knock this week after embattled British Prime Minister Boris Johnson faced a vote of no confidence from his own Conservative MPs. Although Johnson survived, 41 percent of those who voted failed to back him as their leader.

Another big factor affecting the pound is that the BoE "remains wholly unwilling to discuss" the full consequences of Brexit on the UK economy, according to Sharma. This could partly be due to the fact that it is difficult to pin down the exact financial fallout, with Britain's departure from the European Union formalized only during the economic shock caused by the COVID-19 pandemic. Meanwhile, political paralysis in Northern Ireland, a direct consequence of Brexit, poses further problems for the pound, according to economists. "The added risk is that there is another Brexit bust-up, perhaps over the Northern Ireland Protocol," Capital Economics analyst Paul Dales told AFP.

"The latter could result in the pound weakening below \$1.22." —AFP

US inflation skyrockets, piling pressure on Biden

LOS ANGELES: US inflation surged to a new four-decade high in May, defying hopes that price pressures had peaked and deepening President Joe Biden's political troubles as Americans struggle to meet the cost of essentials like food and gas. Government data released Friday put inflation at 8.6 percent, extending increases not seen for a generation, with gas prices hitting daily records fueled by Russia's invasion of Ukraine and supply chain challenges related to the pandemic.

Biden, whose popularity has taken a hit as prices surge just months before November's midterm elections, has made fighting inflation his top domestic priority but is finding he has few tools to directly affect prices. "I'm doing everything in my power to blunt Putin's price hike and bring down the price of gas and food," he said Friday while speaking at the Port of Los Angeles. "We're better positioned (than) just about any country in the world to overcome the global inflation we're seeing and to take the next step towards forming a historic recovery."

The president has tried to hammer home his optimistic message about economic progress in the wake of the pandemic, including rapid GDP growth and record job creation, while pressing Congress to take action to lower costs on specific products. Biden cited releasing 30 million barrels of reserve oil and repeated his call to approve legislation to go after firms such as shipping companies that are taking advantage of limited competition to impose steep price hikes.

But he acknowledged the rising inflation was a severe problem, saying in an earlier statement the United States "must do more — and quickly — to get prices down." The new data dealt a crushing blow to Biden's efforts, as the consumer price index (CPI) jumped 8.6 percent compared to May 2021, up from 8.3 percent in the 12 months ending in April and topping what most economists thought was the peak of 8.5 percent in March.

Prices continued to rise last month for goods including housing, groceries, airline fares and used and new vehicles, setting new records in multiple categories, according to the Labor Department report.

"The headline inflation numbers are dreadful. Strip away some special factors & they're merely bad," Harvard economist and former White House advisor Jason Furman said on Twitter. Some economists expected the easing of pandemic restrictions to cause a shift of US consumer demand towards services and away from goods, which they said would ease inflation pressures, but prices for services increased as well.

Soaring energy costs

CPI rose one percent compared to April, after the modest 0.3 percent gain in the prior month, the Labor Department reported, far higher than expected by analysts. Energy has soared 34.6 percent over the past year, the fastest since September 2005, while food jumped 10.1 percent — the first increase of more than 10 percent since March 1981, the report said. Fuel oil more than doubled, jumping 106.7 percent, the largest increase in the history of CPI, which dates to 1935.

"The price of fuel oil and natural gas is working its way through the economy," Biden economic advisor Brian Deese told CNBC. "The issue now is how can we actually make progress... that would improve that?" "We're calling on Congress to move on shipping legislation that would bring down the cost of moving goods overseas." The United States has come roaring back from the economic damage inflicted by the Covid-19 pandemic, helped by bargain borrowing costs and massive government stimulus measures.

But with the pandemic still gripping other parts of the world, global supply chain snarls have caused demand to far outstrip resources.

Food and fuel prices have accelerated in recent weeks since the Russian invasion of Ukraine sent global oil and grain prices up, and American drivers are facing daily record gas prices, with the national average hitting \$4.99 a gallon on Friday, according to AAA.

The University of Michigan consumer sentiment index — which measures how American consumers feel about the economy, personal finance and business and buying conditions — fell sharply Friday from 58.4 to 50.2, its lowest recorded value.

The Federal Reserve has begun raising interest rates aggressively, with another big hike expected next week, and more ahead in coming months as policymakers attempt to combat inflationary pressures without triggering a recession. The CPI surge "raises the probability of even more aggressive Fed rate hikes to tamp down on inflationary expectations," said Mickey Levy of Berenberg Capital Markets, adding that a pause in rate hikes in September is "looking increasingly unlikely." — AFP



LOS ANGELES: US President Joe Biden (center) walks on the deck of the USS Iowa as he arrives to speak about the economy and inflation at the Port of Los Angeles on June 10, 2022. — AFP

ExxonMobil 'made more money this year': Biden

LOS ANGELES: President Joe Biden on Friday slammed ExxonMobil for not producing more oil, as soaring gas prices deplete Americans' wallets and the US leader's popularity ahead of midterm elections. "Exxon made more money this year," he said, advocating increasing taxes on oil companies. ExxonMobil reported massive profits in the first three months of the year despite lower oil and natural gas volumes, as crude prices rose after Russia's invasion of Ukraine.

Oil companies "have 9,000 permits to drill. They're not drilling. Why aren't they drilling? Because they make more money not producing more oil," Biden said in comments at the Port of Los Angeles hours after the government released a devastating inflation report reflecting soaring energy prices. And with the higher profits, "they're buying back their own stock, which should be taxed quite frankly. Buying back their own stock and making no new investments." After a dreadful 2020 amid Covid-19 lockdowns that devastated petroleum demand, oil companies returned to profitability in 2021 and have continued to see earnings skyrocket this year. ExxonMobil's first-quarter profits more than doubled to \$5.5 billion, and revenues rose 52.4 percent to \$87.7 billion. —AFP

Nothing to suggest US will have a recession: Yellen

WASHINGTON: The United States is unlikely to suffer an economic downturn, despite sky-high inflation, US Treasury Secretary Janet Yellen said. "There's nothing to suggest that there's a recession in the works," she said during an interview at The New York Times' economic forum.

The US economy has recovered strongly from the COVID-19 damage, but the highest inflation in four decades and supply chain snarls exacerbated by Russia's invasion of Ukraine are increasing pessimism.

The US Labor Department is set to release the May consumer price index (CPI) report on Friday, and analysts expect the data could potentially show a modest slowdown in the torrid 8.3 percent annual pace. The Federal Reserve has begun raising interest rates aggressively, with another big hike expected next week, as policymakers attempt to combat inflationary pressures without triggering a recession. Yellen expressed confidence they will be successful.

"I believe there is a path through this that entails a soft landing," she said. But the swiftness of the Fed's planned moves has increased fears of a recession, generally defined as two consecutive quarters of negative growth. At the forum, Yellen was asked to respond to rapper Cardi B's tweet about a possible downturn.

"Is there a recession risk? Of course there's a recession risk," the Treasury secretary said. "But is it likely? I don't think so." When asked if she knew who Cardi B was, Yellen quipped: "I don't have a lot of time for her, but I am alive." —AFP