

Business

German inflation slows as government steps in

Germany plans return to debt-limit rules in 2023

News in brief

Sri Lanka economy shrinks

COLOMBO: Sri Lanka's economy shrank 1.6 percent in the first quarter of this year as an unprecedented financial crisis began to impact commercial activity, according to official data. The island nation's painful downturn has seen months of lengthy blackouts, runaway inflation and severe shortages of vital consumer goods. A shortage of foreign currency needed for the import of fuel, fertilizer and other essentials had a devastating effect on the economy just as the coronavirus pandemic was receding. The January-March contraction was worsened by the "adverse effects" of inflation and Sri Lanka's crashing currency, the statistics department said. The agency noted that a ban on pesticide and fertilizer imports last year, since repealed, had a devastating effect on farmers with the first-quarter rice harvest down 33 percent. It added that an ongoing fuel shortage was having serious impacts on transport and industry.

Vietnam economy expands

HANOI: Vietnam's economy expanded in the second quarter at its fastest pace in 11 years thanks to a big rebound in exports and the lifting of punishing COVID-19 restrictions, authorities said Wednesday. Growth in the communist nation and manufacturing powerhouse had stuttered at around three percent for two consecutive years as the pandemic shut down most of the world and authorities imposed strict lockdowns. But on Wednesday the General Statistics Office said gross domestic product grew 7.72 percent on-year in April-June, its best performance since 2011. Turnover from exports rose 21 percent to \$96.80 billion in the period, the GSO added. Economic growth for the first half of the year was 6.42 percent, the GSO said, inching back towards the seven percent enjoyed before the pandemic in 2019. Earlier this month the World Bank said Vietnam's economic recovery "remains strong" despite uncertainties caused by the war in Ukraine, lockdowns in China and inflation.

Network targets mineral firms

PARIS: A Pro-China online network is targeting Western companies mining for elements used to make smartphones and other hi-tech products, US cybersecurity firm Mandiant said in a report on Tuesday. China controls 80 percent of the world's supply of rare earth elements, vital components for anything from electric vehicles to fluorescent lighting, and Western powers have been trying for years to redress the balance. Mandiant identified a network of thousands of fake social media accounts in 2019 that it has linked to several campaigns pushing pro-China messages and disinformation. The US firm's report on Tuesday said the network, which it has named "Dragonbridge", had spent months targeting rare earth mining companies. It said Dragonbridge had attacked on social media Australian company Lynas Rare Earths over its environmental record and urged protests at a planned construction site for a processing facility in Texas.

Uber, Australia union inks deal

SYDNEY: Uber has reached a deal with a powerful Australian union after years of legal battles, campaigns and negotiations that will offer 100,000 drivers and food delivery workers more protections. The Transport Workers Union-one of Uber's most vocal critics-reached the agreement with the rideshare giant late Tuesday, with both sides backing minimum standards for all gig economy workers and the right to unionise. In a joint statement, Uber and the union said they also supported the setting up of an independent body by the Australian government to create standards across the sector. The "gig economy"-which uses temporary independent contractors for short-term tasks-has grown rapidly since Uber's launch in 2009 and is promoted as a flexible way for people to earn money without the constraints of a full-time job.

Novartis slashes 8,000 jobs

ZURICH: Swiss pharmaceutical giant Novartis is slashing around 8,000 jobs worldwide, or just over seven percent of its global workforce, as part of a large restructuring push. Novartis, which currently employs some 108,000 people around the world, confirmed late Tuesday that it would shed thousands of jobs as part of a restructuring plan announced in April. Under that plan, the company aims to simplify its structure, among other things gathering oncology and other pharmaceutical activities in a single division. No figures were initially given for the layoffs, but Swiss media reported the global number Tuesday, and also said the company planned to slash 1,400 jobs in Switzerland-about 12 percent of its workforce in the country. In an email sent to employees, Novartis chief Vas Narasimhan explained the company's new structure, which he promised would be "both leaner and simpler". But this "will unfortunately entail layoffs," he wrote, according to the Tages-Anzeiger newspaper. —From AFP

FRANKFURT: German inflation slowed slightly in June, official figures published Wednesday showed, as government measures to ease the pressure on consumers from rising prices took force. Inflation sat at 7.6 percent in June, according to the federal statistics office Destatis, still well above the two-percent target set by central banks but down from 7.9 percent in May. Consumer prices in Germany have been on an almost constant climb for 18 months, with the last fall in the rate registered in January this year.

Inflation was first stoked by the disruptions arising from the coronavirus pandemic, and then by the war in Ukraine. Russia's invasion had caused "prices for energy to climb markedly", leading to high rates of inflation, Destatis said. Year-on-year energy costs were up 38 percent in June, according to the statistics body, while prices for food also increased by 12.7 percent in the same timeframe. The disruption caused to supply chains by the war and the pandemic also added to price pressures, it said.

The upwards momentum was only broken by government moves to ease the pressure on consumers, including a discounted fuel tax and a flat-rate ticket for public transport. The full impact of these measures could "not be assessed" in the preliminary data, Destatis said. "This is not yet the end of surging inflation rates," said Carsten Brzeski, head of macro at the ING bank. Rather, it was an example that it is "currently governments, not central banks, that can stop inflation", he said. Despite the relief for consumers from the government on the costs of transport and energy, "food price inflation continued to pick up" while prices were also marked up for services, Brzeski said.

Looking ahead, the government's measures are set to expire at the end of August, while "the potential end to Russian gas for Germany is also likely to increase energy prices going into the winter season", he said. Spanish inflation reached double digits in June, coming in at 10.2 percent, according to figures published earlier Wednesday. The data suggested "eurozone inflation is moving up and not down like German inflation", adding to the pressure on the European Central Bank, Brzeski said.

IKEA announces the winner of its fourth and last raffle draw

KUWAIT: IKEA Al Homaizi is excited to announce the lucky winner of IKEA's fourth and last Raffle Draw, Najat Naimi. The draw has been conducted under the supervision of the Ministry of Commerce and Industry. Naimi was granted the KD 10,000 home makeover prize by Ahmad Adel Ahmad, the Customer Relations Manager of IKEA The Avenues during a special ceremony in IKEA The Avenues. The prize consists of IKEA products and services, including planning service and delivery & Assembly.

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Spain inflation hits 10.2%, highest level since 1985

MADRID: Inflation in Spain has jumped to its highest level since 1985, largely driven up by soaring energy prices, official data showed on Wednesday. Inflation has soared worldwide as economies have emerged from the COVID pandemic while Russia's invasion of Ukraine has pushed commodity prices higher.

Consumer prices in Spain rose sharply to 10.2 percent in June on an annual basis, up from 8.7 percent in the previous month. It was the highest level since April 1985 with the increase kicking in despite measures introduced by the Spanish government to ease household bills. "We knew that the effect of gas cuts by (Russian President Vladimir) Putin was going to be reflected in the prices in Spain," Prime Minister Pedro Sanchez told Cadena SER radio.

He was referring to the sharp reduction in Russian gas imports to Europe in response to the bloc's military and political support for Kyiv in the face of Moscow's

invasion. Last week, Spain cut the value-added tax rate on electricity by half to five percent to shield consumers from soaring inflation. A similar move in 2021 saw the VAT on electricity reduced from 21 percent to 10 percent. In March, the government unveiled a package of financial measures to ease the impact of soaring prices which includes six billion euros (\$6.4 billion) in direct aid for companies and households.

Opposition slams 'policy failure'

And this weekend, Sanchez's administration unveiled a new nine-billion-euro (\$9.5-billion) aid plan to help the country weather the ongoing fallout of the conflict in Ukraine. It also extended other measures which had been due to expire on June 30, by another six months until the year's end, such as a discount of 20 cents per litre of fuel. The government also announced a direct aid handout of 200 euros to the self-employed and unemployed, and said pensions and disability benefits would also be increased by 15 percent.

Although Sanchez on Wednesday acknowledged the inflation figure was "bad", he told Cadena SER it reflected "the seriousness of the situation (globally) and the appropriateness of the measures

UK extends steel tariffs, breaching WTO obligations

LONDON: Britain has extended steel tariffs for another two years to protect its ailing industry, the government said Wednesday, breaching World Trade Organization obligations. Trade minister Anne-Marie Trevelyan cited "global disruptions to the energy



WISMAR: The main assembly hall of the shipbuilder MV Werften is pictured in Wismar. Submarine and ship builder Thyssenkrupp Marine Systems said it was buying the Asian-owned MV Werften shipyard on Germany's Baltic coast which had filed for bankruptcy at the start of the year. —AFP

Debt-limit rules

Meanwhile, Germany will reinstate its so-called debt brake in 2023 after suspending it for three years to cope with the impact of the coronavirus pandemic, sources in the finance ministry said Wednesday. The government will borrow 17.2 billion euros (\$18.1 billion) next year, adhering to the rule enshrined in the constitution that normally limits Germany's public deficit to 0.35 percent of overall annual economic output, despite new spending as a result of Russia's war in Ukraine, the sources said.

The new borrowing set out in a draft budget to be presented to the cabinet on Friday is almost 10 billion euros higher than a previous figure for 2023 announced in April. However, "despite a

considerable increase in costs, the debt brake will be respected," one of the sources said. After taking on almost 140 billion euros of new debt in 2022, Germany will next year benefit from the end of many expenses related to the coronavirus pandemic, as well as higher tax revenues, the sources added.

Although Germany is traditionally a frugal nation, the government broke its own debt rules at the start of the coronavirus pandemic and unleashed vast financial aid to steer the economy through the crisis. The government has this year unveiled a multi-billion-euro support package to help companies in Europe's biggest economy weather the fallout from the Ukraine war and sanctions against Russia. —AFP



MADRID: A Spanish police officer look on as tourists ride bikes near the Palacio Real in Madrid on June 28, 2022. —AFP

we are taking". But opposition leader Alberto Nunez Feijoo, who heads the right-wing Popular Party, said the numbers reflected the failure of government policies. "Prices have been rising for more than a year and the June figure shows the failure of the government's erratic policies," he wrote on Twitter.

Although the rise in inflation is main-

ly due to increases in fuel and food prices the INE also noted a hike in hospitality sector prices in one of the world's top tourist destinations. Core inflation, which is seasonally adjusted and excludes energy, jumped to 5.5 percent in June compared to 4.9 percent in the previous month—the highest since August 1993. —AFP

markets and supply chains" for the decision. "A strategic steel industry is of the utmost importance to the UK, especially given the uncertainty of political and economic waters that we are currently all charting," Trevelyan told parliament.

"Trade remedies are one of the ways that government can protect their businesses. They tackle issues of dumping, of unfair government subsidies, or ... give businesses time to adjust to unforeseen increases in imports," the minister added. The energy-intensive steel sector in Britain, already suffering at the hands of cheap Chinese imports, now faces sky-rocketing production costs as fuel prices surge. Tariffs for certain steel product categories imposed on developed

countries and China have now been extended to June 2024. "It is in the economic interest of the UK to maintain these safeguards, to reduce the risk of material harm if they were not maintained," Trevelyan told lawmakers.

After Britain's departure from the European Union, the country rolled over quotas and tariffs on 10 steel products until mid-2024. The UK has now decided to extend temporary safeguards on five other categories for "a further two years", Trevelyan said. "I have... concluded there would be serious injury, or the threat of serious injury to UK steel producers, if the safeguards on the five additional categories were to be removed at this time," the minister added. —AFP