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Business

China's 2022 economic growth seen as its lowest in 40 years

Exports took their biggest plunge since the start of pandemic

BEIJING: China's economic growth for 2022 is expected to have been among its weakest in four decades after the twin crises of the pandemic and property woes, analysts said ahead of Tuesday's GDP announcement.

Ten experts interviewed by AFP forecast an average 2.7 percent year-on-year rise in gross domestic product (GDP) for the world's second-largest economy, a sharp plunge from China's 2021 growth of more than 8 percent.

It could also be China's slowest pace since a 1.6 contraction in 1976 — the year Mao Zedong died-and excluding 2020, after the COVID-19 virus emerged in Wuhan in late 2019.

Beijing had set itself a growth target of around 5.5 percent for 2022 but this was undermined by the government's "zero-COVID" policy, which put the brakes on manufacturing activity and consumption.

Strict lockdowns, quarantines and compulsory mass testing prompted abrupt closures of manufacturing facilities and businesses in major hubs-like Zhengzhou, home of the world's biggest iPhone factory-and sent reverberations across the global supply chain.

Beijing abruptly loosened pandemic restrictions in early December after three years of enforcing some of the harshest COVID measures in the world.

'Growth is slowing'

China is battling a surge in COVID cases that has overwhelmed its hospitals and medical staff. This is likely to reflect in 2022's fourth-quarter growth, which will also be announced on Tuesday alongside a series of other indicators such as retail, industrial production and employment.

"The fourth quarter is relatively difficult," said economist Zhang Ming of the Chinese Academy of Social Sciences in Beijing. "No matter whether it's by the metrics of consumption or investment, the growth is slowing."

China's exports took their biggest plunge since the start of the pandemic in December, contracting 9.9 percent year-on-year, while consumption was in the red in November and investment has slowed.

"The three horse carriages of the Chinese economy are all facing a relatively evident downward pressure in the fourth quarter," Zhang said.

Rabobank analyst Teeuwe Mevissen echoed Zhang, saying the final quarter will "almost certainly show a decline because of the fast spread of COVID" after the loosening of health restrictions in December.

"This will affect both demand and supply conditions for the worse," he said.

Problems in the property sector are also still weighing on growth, Mevissen said. This sector, which along with construction accounts for more than a quarter of China's GDP, has been suffering since Beijing started cracking down on excessive borrowing and rampant speculation in 2020.

This regulatory tightening marked the beginning of financial worries for Evergrande, the former Chinese number one in real estate that is now strangled by huge debt. Real estate sales have since fallen in many cities and many developers are struggling to survive. However, the government appears to be taking a more conciliatory approach to reviving this key sector.

Measures to promote "stable and healthy" development were announced in November, including credit support for indebted developers and assistance for deferred-payment loans for homebuyers.

'Worst is over'

Some analysts took these measures as a reason for optimism. "The transitional phase will likely be bumpy as the country may need to grapple with surging cases and increasingly stretched health systems," warned analyst Jing Liu of HSBC, predicting a slowdown in the near term.

But, after three years of health restrictions, "China's reopening process has started", she said.

The World Bank forecast China's GDP will rebound to 4.3 percent for 2023 — still below expectations. Economist Larry Yang declared 2023 as "the year of returning to certainty".

He said he expected growth to accelerate quarter by quarter in 2023, forecasting 5 percent GDP for the full year-a prediction in line with other analysts interviewed by AFP. "The worst period of the economy itself has already passed," Yang said. —AFP

NANJING: File photo shows cranes and cargo ships at Nanjing port in China's eastern Jiangsu province. China's exports in December fell the most since 2020, according to official figures released on January 13, 2023, after health restrictions hit the economy hard. —AFP

Pakistan's economy grinding to a halt as dollars dry up

KARACHI: Thousands of containers packed with essential food items, raw materials and medical equipment have been held up at Pakistan's Karachi port as the country grapples with a desperate foreign exchange crisis.

A shortage of crucial dollars has left banks refusing to issue new letters of credit for importers, hitting an economy already squeezed by soaring inflation and lacklustre growth. "I have been in the business for the past 40 years and I have not witnessed a worse time," said Abdul Majeed, an official with the All Pakistan Customs Agents Association.

He was speaking from an office near Karachi port, where shipping containers are stuck waiting for payment guarantees — packed with lentils, pharmaceuticals, diagnostic equipment and chemicals for Pakistan's manufacturing industries.

"We've got thousands of containers stranded at the port because of the shortage of dollars," said Maqbool Ahmed Malik, chairman of the customs association, adding that operations were down at least 50 percent. State bank forex reserves this week dwindled to less than $6 billion — the lowest in nearly nine years — with obligations of more than $8 billion due in the first quarter alone.

The reserves are enough to pay for around a month of imports, according to analysts. Pakistan's economy has crumbled alongside a simmering political crisis, with the rupee plummeting and inflation at decades-high levels, while devastating floods and a major shortage of energy have piled on further pressure. The South Asian nation's enormous national debt — currently $274 billion, or nearly 90 percent of gross domestic product — and the endless effort to service it makes Pakistan particularly vulnerable to economic shocks.

Teetering on a tightrope

Islamabad has been pinning its hopes on an IMF deal brokered under the last Pakistani leader Imran Khan, but the latest payment has been pending since September. The global lender is demanding the withdrawal of remaining subsidies on petroleum products and electricity aimed at helping the population of 220 million with the cost of living.

Prime Minister Shehbaz Sharif this week urged the IMF to give Pakistan some breathing space as it tackles the "nightmarish" situation. Zubair Gul, a 40-year-old father of four and daily wage labourer in Karachi, said it has become "hugely difficult" to live on his earnings. "I have to queue up for two or three hours to purchase subsidised flour — the regular prices are not affordable," he told AFP. For Shah Meer, an office worker, borrowing from relatives or using credit cards are the only ways to get by.

"A common man cannot afford to buy milk, sugar, pulses or any necessity you name," he said. With an election due at the end of the year, implementing — or campaigning on — the tough conditions demanded by the IMF would be political suicide, but Pakistan is unlikely to secure fresh credit without making at least some cutbacks.

On Thursday, the United Arab Emirates agreed to roll over $2 billion owed by Pakistan and provide the country with an extra loan of $1 billion, helping it to avoid immediate default. Islamabad won some relief last week when donors pledged over $9 billion to help with recovery efforts after devastating monsoon floods left almost a third of the country under water last year. — AFP

KARACHI: A dealer counts US dollars at a money exchange market in Karachi. Pakistan's usually bustling ports have ground to a halt, factories shut down, and tens of thousands of workers laid off as the country grapples with the worst forex crisis in its history. —AFP

Iraq's currency in flux as transfers come under scrutiny

BAGHDAD: Iraq's local currency has been on a two-month roller coaster ride following a tightening of procedures for international transfers, with some blaming Washington for the dinar's woes. While the official exchange rate has been fixed at 1,470 Iraqi dinars against the dollar, the currency was trading at up to 1,600 to the greenback on local markets from mid-November, before settling at about 1,570 dinars, according to state media.

Though the depreciation does not seem particularly dramatic, especially compared to other countries in the region, it has sent panic through the Iraqi population, which fears a price surge on imported goods such as gas and wheat.

"The fundamental reason" for this depreciation is "external constraints", said Muzhar Saleh, a financial adviser to Prime Minister Mohammed Shia al-Sudani. But other Iraqi officials have placed the blame squarely on the shoulders of one actor-the United States.

Hadi al-Ameri, a key figure in the pro-Iran former paramilitary Hashed al-Shaabi, has accused the United States of using the dollar "as a weapon to starve nations". But Iraqi economic expert Ahmed Tabaqchali said that "contrary to current misconceptions, rumours and misinformation, there is no evidence of US pressure on Iraq".

'Shock'

Since mid-November, Iraqi banks have had to comply with certain criteria of the SWIFT international transfer system in order to access their foreign reserves, estimated at $100 billion and held at the US Federal Reserve. "Taking part in the international cross-border fund transfers requires complying with global anti-money laundering provisions, counter terrorist financing provisions, and sanctions provisions-such as those that apply to Iran or Russia," Tabaqchali said.

"The new regulations require high levels of disclosure and transparency," he said, adding that this came as a "shock for many... of our banks, who were not used to this". According to Saleh, Iraqi banks must now register their dollar transfers "on an online platform that reviews transfer requests".

"The US Federal Reserve examines the requests and if there are any suspicions, it stops the transfer," he said. Since the adoption of the new mechanism in November, the US Federal Reserve has blocked about 80 percent of transfer requests to Iraqi banks due to doubts over the final destination of these transfers, according to Saleh.

This has led to a shortage of dollars on the Iraqi market and in turn a depreciation in the dinar's value. The Iraqi central bank has described the currency fluctuation as a "temporary situation" and the authorities have taken measures seeking to stabilise the exchange rate. — AFP

Thousands of teachers protest in Lisbon

LISBON: Tens of thousands of teachers from across Portugal joined a protest in Lisbon Saturday, after several days of industrial action for better working conditions and higher pay. Police said more than 20,000 people joined the march, called by the Union of All Education Professionals (STOP), the Lusa news agency reported, but organisers put the numbers at "more than 100,000".

The teachers were also protesting a reform that provides for a "decentralisation" of the recruitment process, with greater autonomy for institutions. Saturday's protest follows a series of partial strikes since the start of December which have led to the closure of several schools.

They want a wage increase to keep pace with inflation, which reached an average of 7.8 percent in 2022, the highest level in 30 years. They also want their real working hours to be taken into account. From Monday, the main teachers' union FENPROF has called a fresh wave of strikes, rotating by region, starting in Lisbon, which will end with a national demonstration on February 11.

Denouncing the new strikes starting next week, Education Minister Joao Costa described the action as "atypical, disproportionate and radical in the middle of a negotiation process". The minister is set to meet the unions for fresh talks on Wednesday. —AFP

LISBON: Thousands of teachers from across the country demonstrate, after several days of a partial strike, to demand improved working conditions and higher salaries in Lisbon. —AFP