Kuwait Times
Established 1961

MONDAY, JUNE 5, 2023

Business

France avoids S&P credit downgrade

Tighter financial conditions would restrain France's economic activity this year

PARIS: France managed to avoid a fresh credit downgrade from a leading rating agency, despite mounting concern over the country's surging national debt. Leading ratings agency Fitch in April lowered its rating on France's debt, which is approaching three trillion euros ($3.2 trillion). It pointed to the country's hung parliament and public protests as risks to plans by President Emmanuel Macron to cut government spending.

But influential rival S&P Global late Friday maintained its "AA" rating when it updated its advice, dispelling fears France could face another downgrade over its chronic overspending that last saw a government run a budget surplus in the 1970s. The agency said the decision to maintain the rating level was "mainly due the government's revised budgetary consolidation strategy", as well as recently implemented labor market and pension reforms.

"I take note of Standard & Poor's decision to leave France's debt rating unchanged", French Finance Minister Bruno Le Maire said in an interview with Le Journal du dimanche weekly. "It's a positive signal. Our public finance strategy is clear. It is ambitious. And it is credible."

Macron pushed through a pension reform this year in the face of the biggest demonstrations in a generation, although the proposed savings will be lower than first expected because of concessions made to trade unions and opponents.

S&P warned that the outlook still remained "negative", saying that "tighter financial conditions and still-high core inflation" would restrain France's economic activity this year and next. It also flagged concerns over the lack of a parliamentary majority, making it harder to implement policies.

Macron came to power in 2017 promising to balance France's books and his first prime minister, Edouard Philippe, memorably told parliament that the country was "dancing on a volcano that is rumbling ever louder".

But unbudgeted tax cuts during Macron's first term following the so-called "Yellow Vest" anti-government revolt and the COVID-19 pandemic in 2020 have led to a sharp deterioration in the public finances since.

Credibility questioned

The country's debt currently stands at around 111 percent of gross national product (GDP), from just shy of 100 percent before COVID-19 when Macron put in place one of Europe's most generous social safety nets. The government has brought the annual public deficit down from a whopping 9.0 percent of GDP in 2020 to a forecast 4.9 percent this year. Its projections show it falling to below 3.0 percent by 2027 when Macron will leave office.

But ratings agencies and investors are increasingly concerned about the credibility of the 45-year-old centrist leader whose successful prior career in investment banking once saw him dubbed the "Mozart of finance".

On top of multi-billion-euro subsidies packages and price controls last year aimed at easing a cost-of-living crisis sparked by the war in Ukraine, Macron has since promised further tax cuts of two billion euros for the middle classes. Increased defence spending — set to rise 400 billion euros over the next seven years — is a further drag on the public purse.

The public finances "were already in a degraded state before the COVID-19 pandemic, but to our eyes they now call for urgent measures", the head of the national auditing office, Pierre Moscovici, said in March. "Reforming the public finances... has to be a national priority," he argued.

The French central bank has issued similar warnings in milder language. France has the highest level of public spending relative to the size of its economy of all countries monitored by the Organization for Economic Co-operation and Development, a Paris-based economic institute.

Fitch lowered its rating by one notch on April 28 to "AA-". Macron said the agency "was making a profound mistake in its political analysis" in comments to the l'Opinion magazine afterwards. — AFP

Fast food chain at center of US culture wars

WASHINGTON: The "Lord's chicken" no more: US fast food chain Chick-fil-A — beloved among Americans for its sandwiches, nuggets and milkshakes — found itself on the receiving end of right-wing ire this week, accused of succumbing to "woke" ideology.

After conservative customers realized the company employs a "diversity, equity and inclusion" representative, it has joined the ranks of other seemingly innocuous brands now facing calls for boycotts, such as mega supermarket Target and Bud Light beer.

Until recently, conservatives had seen the restaurant as one of their own, with its website explaining that its locations are closed on Sundays so the Baptist founder "and his employees could set aside one day to rest and worship if they choose."

And in 2012, it was progressives who spurned Chick-fil-A's offerings for supporting anti-gay marriage efforts. But the tables have turned, as right-wing influencers complain on social media about a statement from its vice president of diversity, equity and inclusion who says the company is committed "to ensuring mutual respect, understanding and dignity everywhere we do business."

Though that position has already been filled for a few years, angry social media commentators seem to have only just noticed this week. "Disappointing. Et tu Chick-fil-A?" asked former Trump-era Justice Department official Jeff Clark on Twitter, quoting Julius Caesar's realization in Latin that his friend Brutus was among his killers.

And contributor to conservative organization Turning Point USA, Morgonn McMichael, accused the chain in a viral video of deciding to "bow down to the woke lords."

"Chick-fil-A you are no longer the Lord's chicken. You're actually the woke chicken, and I'm really upset about it as a Christian woman," she says. McMichael and her friend then complain about having to visit a rival chain instead — even though they do not seem as enthused about the fried poultry options at the new place. McMichael later claimed the video "was only about 30 percent serious."

MIDDLETOWN: Chick-fil-A chain restaurant in Middletown, Delaware. The "Lord's chicken" no more: US fast food chain Chick-fil-A - beloved among Americans for its sandwiches, nuggets and milkshakes - found itself on the receiving end of right-wing ire this week, accused of succumbing to "woke" ideology. — AFP

'Toxic'

Chick-fil-A is only the latest US company to take center stage in the "culture wars" — the often sudden and intense controversies over issues like LGBTQ rights, guns and education, many of which involve everyday aspects of American life.

Giant supermarket chain Target last week announced it would remove some LGBTQ pride merchandise from its shelves after receiving intense backlash from conservative media personalities — and even facing threats against employees.

The company had launched a line of items marking June's LGBTQ Pride Month, including rainbow-adorned T-shirts, party decorations and cooking supplies. Earlier this year, it was iconic American beer Bud Light in the anti-woke spotlight, for partnering with a popular transgender social media influencer.

Many social media users now say they've totally given up the brand, and Florida Governor Ron DeSantis, a Republican presidential candidate, has vowed to never drink Bud Light again, loathe to support anything "woke" — a somewhat amorphous term used by conservatives to describe progressive cultural values.

The slogan "Go woke, go broke" has circulated on social media to encourage such boycotts. "The goal is to make 'pride' toxic for brands," conservative commentator Matt Walsh said on Twitter. "If they decide to shove this garbage in our face, they should know that they'll pay a price. It won't be worth whatever they think they'll gain," he added. "First Bud Light and now Target. Our campaign is making progress. Let's keep it going.

With the 2024 election campaign looming, the culture wars don't seem poised to run out of steam any time soon, and their next targets may be just as unpredictable as their last. "If you would've told me a year ago that a meal of Chick-fil-A washed down by Bud Light would trigger the (conservatives) I would've asked what you were smoking," independent journalist Aaron Rupar observed. — AFP

In distorted Buenos Aires rental market, it's dollar vs peso

BUENOS AIRES: Dollar-wielding foreigners living it up in Buenos Aires while locals scrape by: Argentina's sky-high inflation and weakening currency has yielded a schizophrenic rental market — a bargain for some, a curse for others.

Ordinarily, a middle-class couple like anthropologist Martina Campos Lopez, 33 and her computer technician husband Bruno Suarez, 43, would top rental agents' lists of eligible tenants.

But they earn in pesos — a currency trading at 488 to the dollar on the black market, where most people do their trading. More than a year ago, the couple had to give up their apartment in anticipation of a price hike. They have been unable to find another, and were forced to move in with Lopez's mother. With their toddler.

"The most difficult is this feeling of being like a child again, without independence," Lopez said as she showed AFP around the small house. "Our life is on pause. A temporary measure has become permanent. It is discouraging," she said.

A room the couple uses as a bedroom is packed to the brim with household items from a former life: a coffee maker, microwave, a fan, a fridge. Boxes are stacked high in the bathroom. People such as Lopez are falling ever further behind as Argentina contends with inflation topping 100 percent year-on-year, and a fast-devaluing peso.

Previously, Lopez and her husband spent half their income on rent. But today, "even with 70 percent, we cannot find anything." Property owners are not interested in receiving rent in pesos, never knowing what the rate will be in just a week, never mind a year. Property agent Fernanda Ledesma says her company has no peso-based property rentals on the books. "And when a new property comes in, it is snatched up in just hours. People are desperate, they don't even ask to see (the property)" in person, she told AFP.


BUENOS AIRES: Sebastian Resguardo (L) and Chiara Pollini (R), real estate advisors, work in Buenos Aires. Renting housing in pesos and on a long-term basis is a titanic task in Buenos Aires, where temporary and dollar-denominated supply dominates the market due to three-digit annual inflation that has caused the real estate market to explode. — AFP

A law passed in 2020 with the aim of protecting tenants, may have inadvertently made matters worse. Adopted at a time inflation was 36 percent, it limited rent increases to one per year and determined a minimum period of three years per contract.

Alejandro Bennazar, president of the Argentine Real Estate Chamber, said leases that expire at the end of the first three-year period, in mid-2023, "will jump 100 percent" based on a formula in the law that takes into account wage adjustments and inflation.

This would cut off many more potential tenants. "It is a time bomb," said Bennazar. In such circumstances, many owners are opting to leave their properties standing empty. One of them is German Matienzo, who blames the price freeze.

"The fact that over the course of a year you cannot make adjustments when you have inflation of around 130 percent... this means the monthly income is depreciating abysmally from one month to the next." Others rent informally to acquaintances, often with exorbitant conditions attached. — AFP

War hits sowing season in Sudan fuelling famine fears

GEDAREF: In past years Mohammed Haroun readily found work on Sudanese farms but this year he is left empty-handed as agribusinesses, starved of cash by fighting in Sudan, leave their land fallow. Like hundreds of farm laborers from across Sudan, Haroun made his way to Gedaref state, the country's breadbasket, at the first sign of rain, which heralds the start of the growing season.

But this year - with the country embroiled in brutal fighting between warring generals - no one was expecting them. The state's large, mechanized farms are not taking on workers, as a cash crunch hits their finances, jeopardizing a harvest that normally meets 40 percent of Sudan's grain needs and fuelling fears of famine.

Haroun makes the annual journey for work from his home region of Kordofan, hundreds of kilometres to the west. "In the past, I would never be waiting for more than a day," he told AFP, lying on the untilled soil with his possessions around him. "I've been here for five days now with no job offer and I've run out of money. I don't know where my next meal is coming from." Around him, the rain has already started falling on the fallow fields - meaning that it is now probably already too late to sow a crop this year.

Saddled with debt

One bad season could spell disaster in a country where one in three inhabitants were in need of aid even before a power struggle between rival generals erupted into all-out fighting on April 15. More than 80 percent of Sudan's workforce is employed in agriculture, which generates 35 to 40 percent of gross domestic product, according to the United Nations.

Mirghani Ali sells farm supplies including seedlings, fertilizers and pesticides, and has never seen anything like this season. "We should be overwhelmed with orders right now, but here we are at the end of May, and demand is incredibly low," he said.

For Mohammed Abdelkarim, who cultivates 10,000 acres (over 4,000 hectares) of corn, cotton and sunflowers, the cause is clear: financing has been cut off. "Banks headquartered in Khartoum have not responded to requests since mid-April," when the fighting began.

"And even if financing does come through, we'll need time to get seedlings, and we don't know if we'll have access to fuel to power our machines." Abdelkarim said some farms in the state were already in debt after being forced to leave last year's wheat crop to rot in the fields as the cash-strapped government failed to honor promises to purchase their harvest.

The central bank announced in May it would open lines of credit for farmers associated with local cooperatives, and government ministers - who still hold press conferences despite the fighting - assured the public that the sowing season is not at risk.

Although Sudan's production of staple crops - sorghum, millet and wheat - rose 45 percent in 2022 compared with the previous year, it still met less than half of domestic needs, according to the UN Food and Agriculture Organization (FAO).

In the past, the balance has been covered largely by imports from Russia and Ukraine, but supplies have been hit since Moscow launched a full-scale invasion of its neighbor in February last year. Many Sudanese have been left unable to afford even basic staples, as world food prices have soared.

Unprepared

"Transportation disruptions, market devastation and the absence of financing... will have catastrophic impacts on the food security of the people of Sudan and the surrounding region," said the head of the Khartoum-based Arab Organization for Agriculture Development, Ibrahim al-Dakhiri.

"Severed supply lines have led to the complete destruction of poultry production, which is mostly concentrated in Khartoum," he said. Although some farmers have sown crops like maize, millet or oilseeds in areas spared by the fighting, they are doing so "with an unpreparedness never before seen in Sudan", he added. Preparing for the rainy season is essential in a country where 95 percent of cultivated land is rain-fed, according to the FAO. Farmers in Gedaref found themselves facing the first rains "with no seeds or fuel, and now they can't work their land", farmer Hussein Ibrahim told AFP.

With roads cut off by crossfire, trade at a standstill and processing factories razed or looted, agribusinesses face an uphill battle, prompting some heavyweight investors to walk away. One of the largest actors in the Sudanese economy, Haggar Group, which used to provide work for thousands of farm labourers, recently threw in the towel. In a letter dated May 29, employees were notified that the company was "suspending operations" and letting all of them go. — AFP